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ABSTRACT

This volume of an annual journal contains nine articles focusing on the internationalization of the world's economy and business and how employment security and employment and training programs can be involved. The opening article, "Foreign Investment Euphoria Hides Community Upheaval" (W. Scott Boyd), provides an overview of the volume which is organized in two parts. In part I, views and examples from the United States are presented in the following articles: "The Economic Climate of Multinational Corporations" (Brian Bosworth); "For Sale! Examining Attitudes" (Bruce Wilson); "Positioned for Partnership: Indiana's Employment and Training Experience with the Subaru-Isuzu Automotive, Inc. Project" (R. Joy Partridge-Ullrich, Thomas Heeter); and "The Border Industrialization Program: Mexico's Maquiladora Initiative" (John Stine). In part II, the following articles provide information on examples from around the world: "The Uganda Situation" (Sylvester Kabito); "Spain: Assisting Foreign Investment" (Jose Somalo); "Labor Supply and Demand in Japan" (Shuichoro Ogura, Katsuki Ikeda); and "Republic of China's Economic 'Miracle' Based on Foreign Trade, Development" (Pei-chi Chang, Andy Jo). (YLB)

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PERSPECTIVE

Essays and reviews of issues in Employment Security and employment and training programs

Multinational Investment:

Opportunity and Challenge

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Vol. 4 1988

Perspective: essays and reviews of issues in Employment Security and employment and training programs is published by the International Association of Personnel in Employment Security. The subjects covered in the text are intended to fulfill two of the time-honored objectives of the association: to enhance the individual competence, knowledge and professionalism of members engaged in occupations in the field of Employment Security; and to provide a forum for the exchange of information on Employment Security and its related problems.

The International Association of Personnel in Employment Security is a nonprofit professional association representing individuals employed in the Employment Security programs of Job Service, Unemployment Insurance and Labor Market Information, and other employment and training programs, in federal and state governments and with nonprofit organizations. Membership is open to anyone interested in Employment Security or employment and training programs. Members reside and work in more than 40 nations. The association sponsors a full range of scholarship programs, communication vehicles and membership benefit programs.

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Preface

Nations and empires flourish and decay,
By turns command, and in their turns obey.
--Ovid

The goal of yesterday will be the starting point of tomorrow.
--Thomas Carlyle

We live in an age that hath more need of good examples than precepts.
--George Herbert

Report after report, study after study issued by governments, futurists and pundits have recounted to us, perhaps to the point of nausea, the familiar refrains of a shrinking Earth. Our economies are growing ever-more-closely linked. More and more companies are given the name multinational, signifying their locations and sales around the globe. Yet we know, from the writings of the earliest poet-historians, that the fortunes of every nation will rise and fall; from the words of philosophers, that we must look beyond the present; and from the books of writers, that we need examples to guide our efforts.

This fourth volume of *Perspective: essays and reviews of issues in Employment Security and employment and training programs* focuses on the internationalization of the world's economy and business, and how Employment Security and employment and training programs can be involved. It provides examples in hope that others may share and promote one of the objectives of the International Association of Personnel in Employment Security -- employment security for all the peoples of the world.

I.A.P.E.S. dedicates *Multinational Investment: Opportunity and Challenge* to the United States Department of Labor, which like the association, celebrated its 75th anniversary in 1988. During the past year the labor department has set an example of future projection and analysis that has framed the issue of international competitiveness and led to heightened discussions such as this volume of *Perspective*.

The association thanks 1987-88 President Gary D. Adkins, under whose administration this volume was started, and 1988-89 President Maryann Polaski, under whose administration it was completed. The Research and Institute Committee chairs who guided production were Jay Keesling, 1987-88, and Thomas E. Ivory, 1988-89. A special thanks goes to W. Scott Boyd, association executive director from 1962-81, who provided editorial assistance and guidance during all phases of production.

Michael R. Stone
Editor

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Foreign investment euphoria hides community upheaval

by W. Scott Boyd

This edition of *Perspective* departs somewhat from previous volumes. There is more focus on social stresses and economies in the United States and abroad, brought about by the shuffling of giant manufacturing plants, personnel, and tremendous investments of funds. It is all relevant to modern world society, and in particular, the role of employment services.

This volume presents information about the "maquiladora" initiative on the U.S.-Mexican border that allows product components manufactured in the U.S. to be shipped across the border duty free, assembled, and shipped back for distribution in the United States. All is not sweetness and light in this effort as first appears.

You also can learn how the Republic of China in Taiwan has performed an economic miracle largely through incentives to encourage foreign investment; what the Spanish government did for General Motors and Ford when they opened plants in Spain; about Japan's labor supply and cultural shock experienced by an influx of foreign workers, and the establishment of Japanese automobile state governments.

W. Scott Boyd was executive director of the International Association of Personnel in Employment Security from 1962-1981. The Frankfort, KY, resident assists in the production of **Perspective**.

There is a very good article about Indiana's training experience with Japanese automobile plant employees at Lafayette. This brings us to the social and cultural factors involved in moving manufacturing facilities and great numbers of people. We will focus on one example.

Besides Lafayette, foreign automobile companies, all Japanese, have established huge plants at Smyrna, TN, Marysville, OH, and Georgetown, KY, all in midwest U.S. and the heart of the greatest automobile market in the world. These plants bring assurances of up to 3,500 employment by 1991 at one plant, and lower area unemployment in all their new locations. Yes, they bring prosperity, but they bring problems for small communities like Georgetown (population 12,000) that are not easy to solve.

Too little written about shock

Too little has been written about, and too few understand, the shock experienced by small communities in America who suddenly find themselves landlords of billion dollar automobile plants. The shock has caused mayors to resign, landowners to scream with joy, and politicians (on second thought) to head for the hills. Let's explore this for a moment.

The first problem with the Kentucky plant was the incentives offered by state government, totaling $156.7 million. As one Kentucky wag said, "We're paying the Japanese to move into the middle of the American automobile market. The harlot came to town on Saturday night and the politicians went crazy." He went on to explain that those Kentuckians who live 300 miles to the west on the Mississippi River will tell you that was partly their money and they see no local benefits. Those 100 miles to the east will tell you the same thing.

This is not to imply, however, that the Kentucky investment will not pay off in the long run. It will provide jobs and tax revenue, approximately $2 million a year more than now received by Georgetown and Scott County. But it also brought about a 1 percent employee tax on other workers in the community, and a 1 percent tax on employers both in the county and town. This has made non-plant employees and city businessmen uneasy.

But Georgetown faces other problems, like a predicted 25 percent school enrollment before 1991, in a state where school funding is a raging controversy that has spurred lawsuits and court orders for adequate financing. The Japanese company, exempt from school taxes, realizing this could become a major "bone of contention" stepped in and promised $418,000 a year to the school system for the next 20 years.

This small Kentucky rural community is home of a small college, with wide shady streets and an agricultural based economy. It has struggled valiantly to meet its problems. But they remain: traffic problems that will not be alleviated until a much needed $40 million bypass is constructed (put on the back burner by the state), expanded sewer and water systems, and merged town and county governments. These have top priority.

Cultural fallout difficult to summarize

It is difficult to summarize the cultural fallout in years to come, but for certain Georgetown will never be the same. During a recent visit, there was not a parking space on Main Street. One would suppose the city fathers are glad the 200,000 automobiles a year the plant will produce in 1991 do not have to move through the town.

For sure, the little old lady on the edge of town must forgo her routine of driving her Chevy downtown to the post office to get her mail and visit along Main Street. She wouldn't find a parking space in a year!

As an observer, and this has nothing to do with employment and economics and cultural shock, many Americans don't like the "for sale" signs that have been placed on U.S. industry, property and markets. You can read about this, too, in this issue of *Perspective*.

Part I:
views and examples from the United States

The economic climate of multinational corporations

by Brian Bosworth

I'm going to comment here about the environment, the economic environment within which these things called multinational corporations and other businesses exist. Our future is being shaped by a number of worldwide economic forces that we can't hope to change. But we can affect the impact of these changes, the way they impact on our communities, our states and our countries. We can position ourselves to take advantage of the opportunities that are inherent in this economic change and to cushion the stress that will inevitably accompany these opportunities.

However, that requires that we understand quite clearly the direction of economic change and that we gage quite accurately the intensity of that change. We hear so frequently of the massive transformation or restructuring of the global economy that the notion has become somewhat of a cliche, but that doesn't make it less true or any less consequential. The pace, the intensity and the direction of current economic transition appears to be fundamental. It has enormous implications for development strategy and for employment and training programs.

Brian Bosworth is president, Indiana Economic Development Council, Indianapolis. *This article is a condensation of his remarks at a general session of the International Association of Personnel in Employment Security's 75th annual convention on July 12, 1988, in Chicago.*

The key engines powering this change are the scope and frequency of technological improvement and the comparatively sudden impact, at least here in the United States, of worldwide market competition. During this historic transition, the relative positions of economic wealth, of power and of opportunity, among nations, among states and among groups of people, are being radically reshuffled. I think it's helpful to understand this transition as the convergence of six interrelated trends. They concern markets, products, processes, business structures , the workforce and the work place.

First, changes in markets. Two dominant changes are underway in the marketplace for goods and services. They are segmentation and internationalization. Markets for both producer and consumer goods have shattered into fragments. Highly articulated demand driven by divergent taste and propelled by changes in the technology of communication, of transportation and of information processing has produced an increasingly niche-oriented market.

Trend toward segmentation

This trend toward segmentation is apparent in virtually all sectors of the economy, from life insurance to fast food, from automotive manufacturing to agriculture. That segmentation of the market place produces a wide array of opportunities for those who can differentiate their product to suit the specialized demand of these narrow market segments. Moreover, it makes the playing field more level. The small and agile company can survive and prosper in competition against the big. However, a segmented market is a more volatile market.

Niche marketing requires better planning, more sophisticated management strategies and a global perspective. Accompanying this trend toward market niches has been the globalization of the market. Goods and services produced in the U.S. now compete with goods and services from around the world, whether they are sold in foreign countries or whether they are sold right here in the U.S. Businesses can elect not to export their products but they cannot opt out of worldwide market competition. Products produced from all over the world will compete with the products of U.S. companies in our traditional domestic marketplace. Those businesses that cannot compete in an international market will not be able to survive in a domestic market.

A second facet of internationalization is the growth of manufacturing systems across national boundaries. Component goods can be designed, engineered, assembled and marketed in a number of countries. Multinational corporations, joint ventures and licensing agreements are key aspects of this trend. Companies have tended to move closer to their market in whatever ways they can. They have redirected manufacturing patterns to take advantage of fluctuating exchange rates, of shifting production costs. As a consequence, manufacturing technologies have taken root all over the world. They are no longer limited to a few traditionally industrialized countries. Changes in products have accompanied these changes in markets.

For several decades the U.S. was advantaged relative to the rest of the world in the production of standardized goods and services. Our location in the middle of the largest consumer and industrial market place, our strong transportation network, our rich natural resource base, combined to develop an enviable position in the manufacture of basic industrial products and in the growing of raw agricultural commodities. As the craft-oriented manufacturing of the early 20th century gave way to the assembly lines that came to characterize the post-World War II era, our relative abundance of raw materials and basic industrial inputs of water, steel, natural gas and coal gave the U.S. a strong position in standardized or serial production. Such products were best produced through economies of scale. Homogeneous product for homogeneous markets could be produced in huge batches through routine process.

In the farm sector, similar economies were produced through more and more mechanization of larger and larger farms. But steady increases in production costs began to erode some of our economy of scale advantages in the 1960s and the 1970s, and by the late 1970s the trend of relocation of standardized production seeking out lower wage rate areas out of the U.S. accelerated.

Standardized commodity production now has the mobility to seek out cheaper cost production areas in other parts of the world. Now some commodity production having significant advantage in resource or technology might remain and might even prosper in the U.S. production environment. But the continued transfer of most standardized production to lower wage rate countries is almost certain.

U.S. advantage eroded

Technological change, communication and computing, coupled with increasing application of hard automation, have eroded the historic advantage of the U.S. in standardized production. Our comparative advantage is shifting rapidly toward customized production, toward products that incorporate higher levels of skill, of knowledge and of technology in their final embodiment. Such products don't lend themselves to mass assembly driven by economy of scale considerations. They tend to be either very new products not otherwise available or mature products that are greatly specialized to particular application or demand.

These customized products usually have very short life cycles. They tend to compete on the basis of quality, of precision and of reliability. While cost continues to be an important determinate of competitiveness, short product life cycles and specialization of application tend to discourage economy of scale production technique as the principle factor in cost control. Instead, cost control must be found in design, in manufacture ability and in the quality of management.

Underlined and intertwined with these changes in markets and products are changes in process. The trend of change here is from the routine to the flexible. Hard automation techniques of the past

emphasize capturing know-how and building it into special purpose machines or systems. Flexibility was traded off for efficiency. But the emerging technology of new production process is based on what has come to be known as economies of scope. The application of re-programmable automation permits multiple products to be produced as cheaply or more cheaply in combination than separately.

The application of microelectronic controls and memory permits a far broader range of capabilities in a single machine, single production system or a business establishment. Variety and flexibility no longer reduce profit, rather they are essential to business success in a niche-oriented marketplace that demands specialized, tailor-made products.

The effect of these emerging changes in the technology of production is no longer the substitution of capital for labor. Indeed, the percentage of direct labor to total production cost in most manufacturing in the U.S. is already well below 15 percent. The new technology focuses on reducing time, improving quality and slashing inventory levels.

For a worker entering the job force today, the chief criterion of success is the ability to learn new tasks, to learn them quickly and accurately. Having a narrow job skill cannot substitute for having the learning skill to acquire rapidly changing job skills.

Trends driving changes

Now, these trends in markets and products and processes are driving enormous changes in the structure of business establishments. Establishments are shrinking in size. They are shedding overhead. They are stripping away layers of management hierarchy.

Business establishments must react quickly to rapid demand shifts in the market place, to greater emphasis on innovation, to the trend towards specialized, high-quality, short-lived products. The need for speed and accuracy in that response will drive a general decentralization of organization. Smaller organizational units may have a decided advantage over big ones. Large-scale, vertically integrated, lumbering establishments may lack the agility of smaller, more specialized, more nimble establishments.

In addition to changes in the scale of autonomous business units, there are important changes underway in the relationship among functions within these establishments. Customization of products demands a much more intimate relationship among design, manufacturing and marketing. And the trend toward a broadly skilled involved worker implies whole new patterns of labor management communication. Relationships among separate businesses are changing just as rapidly. Buy-and supply-relationships are becoming sophisticated learning systems, teaching partners about changes in markets and technology.

Over the past few decades the U.S. work force has grown very rapidly as the baby boomers and women entered the work force in huge numbers, but that annual increase is slowing. The movement of the

baby-boom generation through the age structure has had huge effects on the U.S. at every stage in the maturation of that generation.

School systems were the first institutions to undergo wrenching changes. Huge numbers of young people moved through elementary, secondary and postsecondary institutions in the 50s and 60s. As this group moved into the labor force in the 1960s and the 1970s the economy was forced to adjust to assimilate record numbers of new job entrants. Over the next 20 years that huge group will move through their middle years toward senior citizen status. This graying of the work force will have profound implications for the economic structure of production and consumption.

Trend toward diversity will accelerate

A trend toward diversity of demand will likely accelerate as the baby boomers reach their years of peak affluence and purchasing power. The demand for health services, for leisure facilities, for convenience items should be particularly great. Even more profound changes are in store for the structure of the work force. As workers age, they become more experienced but less mobile. They may also tend to become more concerned with issues of seniority and security and less inclined to be flexible and risk taking in their approach to their environment.

Our ability to affect the skill level of the future work force by dealing only with new job entrants is sharply constrained by demographic realities. About 80-85 percent of the year 2000 U.S. work force is in the work force today. The next several years will see a continued, sharp decline in the number of new workers entering that work force. If we expect to affect the quality of the future work force by dealing only with new entrants, we have set for ourselves an impossible task. The real challenge is to deal with the generation of neglect that's already out there, the millions of adult workers in the work force who were not well prepared for the complex job assignments of the modern world economy. At the same time, important trends of change are underway in the location of jobs. Most of our attention has focused on the shift of jobs from manufacturing to the nongoods sector of the economy, particularly the services sector. In 1950 more than 45 percent of our work force was engaged in manufacturing activity. Today, that's about 20 percent of our workers that are classified as manufacturing employees. The manufacturing sector, which underwent major restructuring in automation, was not able to absorb its 1950s proportionate share of employment as that huge baby-boom generation swelled the ranks of young workers. But much of the production of the services sector, this rapidly growing component of GNP, is itself dependent on manufacturing.

The decentralization of production has shifted large numbers of workers from a statistical classification as manufacturing employees to a statistical reclassification as service employees, even though the object of their work continues to be the making of goods or the provision of business services tightly linked to manufacturing. The federal government has estimate that fully 25 percent of our gross

national product originates in services used as inputs to the goods producing industries. The notion that the U.S. economy is shifting from manufacturing to some sort of postindustrial service economy is illusionary and wrong. It's diverted our attention from a far more consequential trend of change underway in our economy. That's a shift in the work place from the large establishment to the small establishment.

From 1965-1985, the percent of our manufacturing workers employed in establishments, by that I mean locations not necessarily separately owned companies, of fewer than a 100 workers increased by half. The percent employed in establishments of 250 decreased very rapidly. This trend seems to be accelerating, especially in the decline of very large plants. The shift of jobs from large to small plants is a national phenomena. The rapidity of this job shift accelerating every year has enormous consequence for our economy and profound implications for our policy.

Worldwide economic change presents challenge

The components of worldwide economic change present us with a massive challenge. They also offer unprecedented opportunity. We can have no illusions about the immensity of the change that is before us. These trends are not just possible occurrences, they are deeply rooted forces. They are already underway and they are gathering further momentum. The restructuring of the global economy will wash over us no matter what we do. No amount of wishful recollection of the good old days or business as usual will hold back or even slow these trends of change.

But many of these trends of change will find us advantaged, vis a vis the rest of the world. Some of our historic assets of location, of extensive industrial infrastructure, of a strong work ethic, of community-based support systems and of respect for manufacturing skills, will pay dividends in the years ahead.

We have always been good in this country at growing things and making things, and we can continue to derive wealth from our natural resource base and from manufacturing. Americans should not worry that forces out of their control are molding us into some sort of post industrial society where our historic assets count for nothing. If we can handle the transition of workers as well as we handle the transition of machines, then we have a strong future and a future that works.

For Sale! examining attitudes

by Bruce P. Wilson

The Watergate Hotel, the building where Ed Meese used to work, and 1.8 million acres of Maine farmland have one thing in common. All are owned by foreigners.

From our timberlands to our innermost cities, building after building and company after company are falling into British, Japanese, Dutch and other foreign hands. Standard Oil of Ohio, Fox Broadcasting, Peoples Drug Stores, Hardee's Food Systems and 300 Cineplex Odeon movie theaters are now foreign owned. On July 24, 1988, Wall Street's Wasserstein, Perellal Co. agreed to sell a 20 percent stake of Japan's Nomura Securities Co., and Indonesia's Mantrust agreed to buy the business that cans Chicken of the Sea tuna.

Foreign business interest now employ 3 million in this country. That is 500,000 more jobs than our entire electronics industry, our nation's number one manufacturing employer. Since 1980, foreign investments have climbed 215 percent to $262 billion while our investments abroad have grown only 40 percent.

Whether we should slow or stop this invasion has touched off a furor on Capitol Hill and sparked a national debate over the "For Sale" signs overhanging our banks, farmlands, assembly lines and service businesses. This country is one of the few in the world that has no formal mechanism for screening foreign investments.

U.S. Rep. Claudine Schneider, (R-RI), cautions, "We cannot suddenly panic about this. I have seen congressmen ranting and raving about Japan and others taking over the United States. That kind of hyperbole only ignites fear."

Bruce P. Wilson is a placement specialist III with the Texas Employment Commission.

Why are foreigners investing in U.S.?

Why are foreigners pouring money into the United States? Foreigners want to gain access to the world's largest market, head off protectionist legislation and take advantage of the weaker dollar, down 50 percent in value versus major currencies since 1985, making it cheaper to buy real estate and manufacture some goods here.

But now three camps are arming for a foreign investment debate:

Those who favor it: Members of congressmen and states looking for jobs plug the many advantages. Toeing the Reagan administration line, Robert Ortner, a commerce department undersecretary says, "The attention being paid to (foreign investment) is greatly exaggerated. On balance, it certainly is a boon to the economy."

At least 40 states now have overseas offices to battle one another for foreign plants and investments. Says Carl Johnson, Tennessee's commissioner of economic and community development, "We welcome foreign investment as we do domestic investment because it creates jobs for Tennesseans." Among other investments, the state lured a Nissan auto plant from Japan.

Those who oppose it: Some local politicians, such as Honolulu Mayor Frank Fasi, and irate businessmen question the incentives foreign companies receive from states.

"States are falling all over themselves to see who can give the best deal" to foreigners, says Donald Miller, CEO of Gates Rubber Co. But it's unfair "for them to take my tax dollars and subsidize my competition." Miller protested when Illinois offered Japan's Mitsubishi Belting Ltd. 30 acres of land, $500,000 for training and a $2 million loan with no interest to build an auto parts plant.

Foreigners certainly don't come cheap: Kentucky enticed Toyota with benefits worth $325 million, including 1,500 acres of free land, $47 million in roads, $65 million in training and 10 years of English classes for Japanese employees. Georgia issued $4.5 million worth of tax free industrial bonds to persuade Ireland's Masstock International to build dairies -- just after Georgia farmers agreed to cut milk production 22 percent.

'See what's happening'

Those who neither favor nor oppose the invasion: Rep. Schneider, for one, says the new study, **American Assets: An Examination of Foreign Investment in the United States**, by the newly formed Congressional Economic Leadership Institute provides much-needed information for a national debate, but doubts emergency measures are necessary. Says Schneider, "We have to see what's happening, check the rate of increase and make our judgments from there."

Others aren't so sure. They say the report proves the USA is selling out to foreigners at a rate that could wipe out entire industries, even threaten our national security. Regardless of their views, experts are taking the CELI report, which took six months to research, very seriously. CELI was created by a group of 50 members of congress and 30 industry leaders to study public policy issues.

"If we let this continue, we'll wind up with large portions of our key industries (banking, electronics, real estate) controlled by Europe and Asia, and the decisions will be made there," says Pat Choate, chairman of CELI and director of policy analysis at TRW Inc.

The big danger: As foreign firms gain control of industries, low-wage work would be done here, while higher-paid jobs -- and the fate of entire industries -- would remain abroad. If a worldwide recession hit, a Japanese company, for instance, would likely save jobs in Japan -- where employees are guaranteed lifetime employment -- and cut them at USA plants.

In Choate's opinion, the USA never has faced this challenge before. In the 1970s the common fear was that oil-rich OPEC businessmen would wind up owning a huge stake in this country. But unlike the Japanese, they stuck largely to passive investments and real estate and faded when oil prices dove in the 1980s.

"It's one thing to own paper, another to own fundamental production facilities," Choate says. "I can't think of any case in history when a sovereign nation's productive assets were owned by someone else."

All told, foreign entities own 5-6 percent of total USA assets. But what they do own is often key businesses or property. Some examples:

In manufacturing: Of $8 billion in foreign investments made last year, 35 percent went into manufacturing. Japanese companies have a 50 percent stake in 489 USA assembly or production companies. The Japanese have six auto-assembly plants in operation or under construction; 150 automobile-parts suppliers.

In real estate: In Washington, DC, foreigners own the buildings that house the U.S. Justice Department and the Federal Communications Commission; in New York City, the Exxon Building, half of Citibank's headquarters and the Tiffany Building; in Los Angeles, Arco Plaza and the AT&T tower. From 1980-1987, foreign investments in commercial real estate quadrupled, jumping from $6 billion to $24 billion.

In agriculture: Foreigners own 1.8 million acres of farmland in Maine, 1 million acres in Texas and 923,000 acres in California. The United Kingdom is the biggest land buyer, grabbing 30 percent of the 12.5 million acres that are foreign owned.

In banking: Foreign lenders have handled 53 percent of the current commercial and industrial loans in New York and 42 percent in California. Foreigners hold 80 percent of the letters of credit backing tax-exempt bonds issued by state and local governments -- risks USA banks won't take.

Choate hopes the CELI report and the recent book **Buying Into America** by Martin and Susan Tolchin will awaken us to the situation.

"We're at the same point that the nation was in the 1960s when Rachel Carson published **Silent Spring**," he says. That book got everyone thinking about the near-invisible destruction of our environment. "Hopefully this will finally become a national call to action, too."

The Congressional Economic Leadership Institute gives the following for the largest foreign investors as of 1987:

United Kingdom:	$75 billion up 431 percent since 1980
Netherlands:	$47 billion up 146 percent since 1980
Japan:	$33 billion up 611 percent since 1980
Canada:	$22 billion up 78 percent since 1980
West Germany:	$20 billion up 158 percent since 1980
Switzerland:	$14 billion up 180 percent since 1980
France:	$10 billion up 176 percent since 1980

Reverse Cultural Shock for the Japanese

The island nation of Japan and its economic miracle is suffering from a labor shortage. Japan has an average of 100,000 illegal aliens who toil in Japan in small factories, restaurants, bars and construction sites. The number of such workers is small compared to Japan's population -- roughly 122 million people -- but it has soared as Japan has become a nation of high wages, labor shortages and a strong currency.

A major debate swirls about these illegal aliens. "The national system isn't prepared for this huge change," said Tesuo Yomazaki, counselor of the immigration bureau of the Justice Ministry.

The controversy predictably pits organized labor against business. Unions fear that foreigners will take jobs from Japanese, and businesses are looking to cheaper foreign labor to cut costs and improve competitiveness. But the debate also strikes an emotional chord, for it threatens Japan's sense of itself. Japanese seem to agree that they must "internationalize," but most people also worry that if too many foreigners come here to live, they will destroy Japan's cultural homogeneity and social harmony.

The issue takes on greater urgency as more people realize that Japan needs foreign workers whether it wants them or not. In some industries, notably construction, Japan already depends on them. A 1986 survey by the Japan Labor Institute concluded that the services and construction industries faced a labor shortage of about 7 percent, a shortfall that illegal foreign workers help relieve. But Japan has no legal guest-worker program.

Policy makers here are looking at the experiences of other countries for guidance. They reject the American "melting pot" model. Nor does anyone want to repeat France's experience with Arab workers who went to stay in numbers large enough to affect the culture and cause political upheaval. A West German journalist's book about his country's permanent subclass of Turkish workers is required reading among Japanese bureaucrats these days.

Japan's approach

Having read the cautionary tales, Japan is seeking its own approach. The bureaucracy is considering a plan that would in

practice favor Westerners and discriminate against Southeast Asians and people from the Third World. The idea is to encourage three five-year stays by foreigners who have skills that Japan needs: doctors, nurses, engineers, computer software programmers and language instructors. At the same time efforts already are being stepped up to keep out unskilled workers, including itinerant clam packers who are seen as a potential drain on society.

"The Japanese are polite on the outside, but they also have an ugly side," says one foreigner-ministry official. "This issue really shows the ugly side."

Beyond the notion that they might cause social problems, unskilled workers touched a nerve in Japan that Western industrialized countries largely ignored when they enlisted foreigners to do their dirty work. Many Japanese, particularly older people, fear that the new wealth of the country is eroding the value placed on hard work, discipline, company loyalty and proud labor. To rely on foreigners to wash dishes, sweep streets and collect garbage would suggest that the society is slipping.

"The fact that young people don't like hard work and dirty jobs reflects that they are the spoiled children of a new generation," says Rokuro Ishikawa, the chair of the Japan Chamber of Commerce and Industry.

For years authorities don't seem to mind that Thai and Filipino women came to work in Japan's sleazy nightclubs. The new arrivals they care about are males they see as threatening the local labor market. Last year, violations of Japan's Immigration Control Law increased 33.6 percent from the previous year, to 14,129. Most of the alleged violators were deported.

Futile effort?

Still, the effort is beginning to seem futile. "Inspectors are under so much pressure to get everyone through immigration [quickly], we can't spend too much time on one person. We can't possibly catch everyone," says Yasutoshi Hirogane, the deputy chief of general affairs at the Nanta Immigration Bureau.

Ishikawa of the Chamber of Commerce argues, however, that the solution to the labor shortage is to use technological innovations -- robotics, say -- rather than import workers. He, like many other Japanese, is worried about the social problems that will arise if Japan comes to rely on foreigners to do menial jobs. Language differences are a problem, and Japanese fret about intermarriage, about educating children of unskilled workers who can't afford international schools. People fear a surge in crime. Stories about fights among Pakistanis, Bangladeshis and Filipinos make headlines and leave the impression that these people are violent and dangerous.

Finally, there's the welfare problem. Not all workers are as lucky as Joseph. Some get sick or injured and lose their jobs. Others, who turned their life savings over to brokers in order to get here, discover that promises of money, meals and lodging were bogus. Fear of

deportation prevents them from going to the police for help. There are unconfirmed reports of workers starving to death here.

One person trying to do something is Rev. Hidetoshi Watanabe, a 55-year-old minister with the United Church of Christ. He has spent the past year in the filthy, urine- and alcohol-drenched streets of a day-laborers' community near the port city of Yokohama. Foreign workers join unemployed Japanese here when the dream of earning a piece of Japan's economic miracle turns bad. "This is the bottom of the bottom," says Watanabe.

Appalled by the way Japanese society often turns a blind eye to such people, Watanabe started a volunteer network to fight human rights abuses. And he enlisted the day-laborer union to mediate wage disputes between the foreign workers and the Yakuza, Japan's organized-crime syndicate, which controls the day-labor market in construction.

Some policy makers contend that if Japan wants to avoid the social costs, it will have to pay higher wages to induce more Japanese workers to do menial jobs that foreign workers take on. The labor ministry argues, rather obliquely, that Japan should increase aid to developing nations, toward relieving the need unskilled people have to seek jobs in Japan. Others want to shift the penalties from the illegal worker to the employer who hires him.

To Watanabe, the bureaucrats and their remedies are divorced from reality. "The government is debating whether to open the door or not," he says. "But the door is already broken."

Culture Shock and Adjustment

When foreign investors open plants in the United States, they send their own management teams and use our workers. Most of the managers will have experienced very little contact with Americans other than tourists, or perhaps the military. The foreign managers and their host community must be sensitive to each other's humanity and not resort to stereotypes.

Differences in food, language and especially religion must be accommodated. Fortunately the Japanese, Chinese and other Orientals enjoy a positive press and image in this country. What United States parent does not envy the work ethic, love of family, and studiousness of the Oriental teenagers that we see in the media. On the West Coast and other major cities "Chinatowns" serve as an oasis for the keeping of culture for many Americans of Oriental descent.

Summary

In many ways the influx of foreign workers and their business can be paralleled to the current controversy on the nation's immigration policy. Thomas Espenshade, a senior fellow at the Urban Institute, cites research showing "the benefits of immigration probably offset the disadvantages" by "satisfying the demand for labor and adding variety to the culture."

Steven Rosen, a 45-year-old defense department employee who belongs to a conservative immigration organization is proud, he says that his grandparents come from Poland and Czechoslovakia. But he favors stricter controls on immigration: "The immigration from the turn of the century was largely a continuation of immigration from previous years in that the European stock of America was being maintained," he says, "Now we are having a large influx of Third World people, which could be potentially disruptive of our whole Judeo-Christian heritage."

Immigration experts say there always has been some anti-immigrant sentiment in the United States. The same sentiment will meet those coming to open new plants. Let us predict it will be more positive than negative. To borrow a quote from Carol Zinsmeister, a social demographer at the American Enterprise Institute: "The American formula only works when we are creating new opportunities and expanding horizons."

Positioned for partnership: Indiana's employment and training experience with the Subaru-Isuzu Automotive, Inc. project

By R. Joy Partridge-Ullrich
and Thomas G. Heeter

Under a red and white circus tent there's a mound of dirt. Nearby a tall man bends to reach a shiny spade. From the mound he fills the spade with soil, then scatters the dirt. Thus, the governor of a Midwestern state symbolically breaks ground for another new business. There's nothing unusual about a high-ranking official performing such an act, right?

But this ground-breaking is not typical. The dirt thrown by Indiana Gov. Robert Orr was not ordinary Hoosier dirt. The three-foot mound it came from represented Mount Fuji. Earlier, it had been blessed by a priest in Japan's oldest religion: Shinto. In the Kuwaire Shiki, or Rite of the First Shovel, the sacred earth is scooped and spread to four posts symbolically representing the four corners of the globe. This is done in hopes that the ceremony and the business venture will be a success and will, in due time, become widely known.

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Governor Orr was participating in a colorful Shinto ceremony to bestow good fortune on a business venture by two Japanese automotive manufacturers. Fuji Heavy Industries and Isuzu Motors Ltd. have combined to build a $500 million production facility near Lafayette, IN. Attended by 1,500 people, the ground-breaking marked the start of construction for a plant that will annually produce 120,000 vehicles. The unique joint venture, which plans to employ about 1,700 when it starts production in late 1989, was given the name Subaru-Isuzu Automotive Inc. (SIA).

The completed SIA plant will be the product of many hours of discussions and compromises. Neither company will be simply importing its modus operandi to Indiana; instead, the new plant will combine the best of each organization with additional input from SIA's American managers who have joined the firm.

In a Japanese trade publication, **The Jama Forum**, SIA President Tamon Yamamoto said the motivation for the two Japanese companies to build automobiles jointly in the United States was "endaka." That is the Japanese term for the appreciation of the value of the yen relative to the dollar. Yamamoto explained, "In order to soften the effects of that situation, we have to remain in the U.S. market. The logical step to take is to begin manufacturing there." He also said the partnership, "is one of mutual convenience and addresses a problem to both companies. . .endaka."

Why Lafayette?

After intense competition among several states to attract the SIA plant, the site named in December, 1986, was Lafayette, IN. Why Lafayette? Yamamoto says two important factors were the "hospitality of the Hoosier state" and Indiana's strategic location in the center of the U.S. The state of Indiana, projecting the SIA plant to generate $100 million of new revenue before the year 2000, plus a multitude of indirect benefits, committed significant incentives to the company. In the human resource area, Indiana's incentives to SIA include recruitment and screening services as well as funds for training and cultural adjustment assistance. Yamamoto said, "The state made the Lafayette site more attractive by offering these and other benefits so that SIA could move into the area, and by doing so, develop the regional economy and create jobs." He added, "That seems like a good exchange."

Indiana was positioned for partnership in that "good exchange" largely because of its assertive economic development policies. In **The New Economic Role of American States**, author R. Scott Fosler wrote, "In the short space of five years, 1981-86, Indiana transformed itself from a passive, reactive, noninterventionist economic bystander into an aggressive, sophisticated participant, active in shaping its economy." He adds that a key to the dramatic reversal was, "the leadership of Governor Orr and Lieutenant Governor John Mutz in making economic growth the number one priority on the political agenda and setting conditions conducive to the implementation of new initiatives."

Having landed the coveted auto plant, the state began developing a strategy for taking the SIA project to a successful conclusion. Fosler says, "organizationally, it (Indiana) relies upon a complex set of public and private instrumentalities that bring together the advantages and resources of each sector." As with the unique partnership of the two Japanese manufacturers, the state is delivering the SIA incentive package with its own special forms of partnerships.

Characterized by Fosler as "clearly the person-in-charge and the preeminent leader of Indiana's economic development strategy," Lt. Gov. Mutz's leadership on the SIA project was enhanced by his assigned responsibilities. Both the aggressive Department of Commerce (DOC) and the newly-created Department of Employment and Training Services (DETS) are his charge. This unique alignment allows easy coordination of both infrastructure and employment and training activities. In the incentive package for SIA, DOC was assigned site preparation responsibility, and DETS was given [illegible] resources.

Customized delivery needed

While that organizational arrangement prepared Indiana for the SIA challenge, a customized delivery system still was needed. From the spring of 1986 staff from DOC and DETS were key members of a team Indiana formed for the SIA project. After negotiations ended and the site was announced, the state's SIA team began a series of plenary meetings with a group of company officials. Their work would result in a comprehensive system for delivering the incentives promised SIA.

The two teams faced handicaps: a substantive language barrier and a geographic separation of 6,000 miles. As a result, they decided to exchange visits to each other's countries. In March, 1987, the first meetings took place in Japan. Human resource incentives were clarified by the state team, while the Japanese explained their cultural adjustment needs. The state team also requested specifics on the company's staffing needs and a hiring timetable. Tours of the parent companies, Fuji and Isuzu, provided the Indiana delegation with valuable information about actual working conditions in the Japanese plants.

Three months later the Japanese group came to Indiana and revealed a detailed hiring schedule. More state and local employment and training staff were asked to participate in these meetings. The full range of challenges presented by SIA came into focus. The plans were ambitious: hire 1,700 new employees, plus an additional 1,500 if the company experiences business success and expands into a second phase of production. Seeking participatory employees who embrace a team concept, the new company wanted an extensive recruiting and screening process. An extremely large number of applicants was anticipated, and the exhaustive selection process would be lengthy. To complicate matters further, recruitment of the first group of employees was only months away. Referring to the recruiting and

screening plan, DETS Executive Director Tom Miller succinctly said, "it's time to put some meat on the bones."

Designing a system

Designing a system to meet the SIA challenges, Indiana started with the best of its current operations. A statewide computer network, Job Service Matching System (JSMS), is used for applications-taking and job-matching in all 44 of DETS' local offices. One of only a few states with full automation, Indiana chose JSMS to anchor the SIA project. In addition, the Job Service Resume System (JSRS), a six-state computerized matching program, would be tapped for SIA's professional, managerial and technical positions.

DETS, formed when the Employment Security Division and the Office of Occupational Development merged, was also in the process of decentralizing its operations. This solidified public and private sector ties around the state as local private industry councils became more involved in employment and training operations. Increased emphasis on local and regional decision-making infused the overall system with more creativity, allowing a flexible approach for the SIA project.

With estimates of applicants for the highly publicized Subaru Isuzu venture ranging as high as 50,000, it was decided the process should begin on a statewide basis. In each local DETS office a staff member was selected to be an "SIA Specialist" bringing uniformity and consistency to the screening activities. Specialists are kept informed by the state team through an electronic message linkup and occasional group meetings. In Lafayette, DETS opened an SIA/DETS Recruiting and Screening Center (SIA/DETS R&S Center). The center, in addition to being an intake site for Lafayette area applicants, is the location for testing, company interviews and pre-employment assessment activities. Initial intake and aptitude testing occurs in any of DETS' local offices statewide or the SIA/DETS R&S Center. The screening activities that are customized for SIA take place in Lafayette.

New SIA applicants are given a company fact sheet and are shown a videotape about the company. The fact sheet and videotape explain the company's philosophy and the hiring process. They also give job candidates a realistic picture of what working for SIA would be like. After the applicants have been processed in JSMS, those who are qualified are given the General Aptitude Test Battery (GATB), which is scored through Validity Generalization (VG). Scores for relevant job families are calculated for each applicant, and DETS refers the requested number of applicants to SIA on a top down basis.

At the next screening checkpoint for Team Leader candidates, SIA representatives conduct "targeted interviews" at regional sites around the state. The focus of these interviews is specific, job-related behaviors. Selected applicants are then asked to come to the SIA/DETS R&S Center in Lafayette for assessment. During day long sessions, applicant's participate in a variety of interpersonal and technical skills activities developed by a consulting firm. Trained assessors from SIA and Indiana's employment and training system

observe small groups of applicants during the exercises. Later, the assessors, as a team, discuss how the participants performed on specific dimensions and then reach a consensus overall score for each applicant.

Successful applicants interviewed

Applicants who are successful in the assessment centers are interviewed by SIA officials. Those targeted for hire undergo a health screening, including a drug and alcohol test. Finally, offers are extended and applicants are hired.

In such a complex system, a major problem is tracking applicants; therefore, those who apply are entered into the computer and given a special code. This SIA identifier is also used to produce demographic information on candidates. The state SIA team has worked closely with the data processing section of DETS to design programs to meet the needs of the project.

Another critical need for SIA recruiting and screening activities is manpower. To supply enough workers for the extremely high workload -- and as a result of a restricted budget -- DETS sought volunteers from its own ranks. More than 100 administrative and local office staff responded. In addition to functioning in their permanent jobs, these volunteers are being utilized as needed to supplement local office JSMS intake and testing, and to conduct assessments.

An important consideration in planning for SIA hiring was keeping the public informed. The SIA project has received a great deal of attention from the media, so people throughout Indiana, and particularly in the Lafayette area, have been kept well informed. Comparing SIA with other Japanese businesses that have come to the U.S., Greater Lafayette Progress Inc. (GLPI) President Mark Davis said that SIA has been "more open." He added, "There has been an historic quantity of information distributed. There has never been a project that has been this well-publicized." Press conferences have been held to announce the start of hiring for each of SIA's major worker classifications. SIA President Yamamoto and Lt. Gov. Mutz both have participated in the conferences, which provide specific information such as job titles, minimum requirements and instructions for applying. This openness has contributed to an orderly hiring process.

Hiring system tested

The hiring system for SIA was first tested in September, 1987, when recruitment began for a group of skilled maintenance workers. These would be key employees. Responsible for installing and setting up heavy equipment and for teaching other employees, this group would have to train for many months in Japan. The ideal candidate would have excellent technical skills, leadership qualities and the ability to adjust to the Japanese culture. Over 650 applicants competed for only 15 positions. The comprehensive screening process

--including testing, work simulations and interviews -- fairly and systematically pared down the large number of applicants. Candidates not selected typically have expressed appreciation for the fairness of the process, and SIA is very pleased with the quality of the persons who were hired. The group is displaying a great deal of teamwork and the ability to learn quickly. Since the quality of the new employees is high, SIA is considering shortening the training period in Japan for these first employees.

As SIA hiring progresses, the state has been working with local groups on the cultural adjustment of Japanese workers in Lafayette. The number of Japanese at SIA will, however, be fairly small. Munetoshi Horie of SIA says the automaker, "wants the Japanese auto plant to be perceived as an American company. That is one reason why 90 percent of the plant's workforce will be made up of Americans." On cultural adjustment, the state and Lafayette community groups seem to be working well together. Sue Scholer, a Tippecanoe county commissioner from Lafayette, said in **The Regional Report on Indiana Business**, "I've seen the projects resulting from SIA's locating here, forging new avenues of cooperation between local governmental entities and the state."

As the SIA plant moves closer to start up, more and more Japanese families will be making Lafayette their home. Planning is well underway to make their transition as comfortable as possible. A consultant, funded by the state incentive package, is assisting the Japanese families as they adjust to their new hometown. This consultant is collecting information and developing an orientation booklet for them. She also has made contacts with banks, driver's license branches, hospitals and real estate agents to gather information and to prepare these organizations for the arrival of the Japanese families. In response, many businesses, hospitals, and other service providers have translated brochures into Japanese and planned information programs for the Oriental newcomers. In addition, schools are planning English as a second language course for Japanese spouses and children, many of whom will come to Lafayette with limited or no English conversation skills.

Fitting into the community

SIA is also working hard to fit smoothly into the community. Larry Ingraham, who formerly headed Indiana's Tokyo office, said SIA, like other Japanese companies, "wants to avoid being perceived as being a Japanese island community." Speaking of the community reaction to SIA, Mark Davis of GLPI said, "on balance, it has been awfully smooth. I expect it to remain quiet." An editorial in **The Lafayette Journal Courier** echoed Davis' assessment by observing, "The transformation here is comparatively smooth . . .one local partnership between government and the private sector, particularly the Chamber of Commerce and Greater Lafayette Progress Inc., also has helped local-state relations."

A small number of Lafayette area citizens did, however, react negatively to the Japanese automaker, primarily because of Japan's

role in World War II. "No matter where they (SIA) went," said Ingraham, "they knew they would encounter indignant Americans who remember the war." Much of this resentment dissipated shortly after the plant announcement was made, likely the result of efforts that have been made by both the company and the community to "demystify" each other and each other's cultures. Because Lafayette has a diverse population, Davis feels the community already has broad cultural acceptance. Tippecanoe county has over 1,700 people of Asian descent, and there are many international professors and students at Purdue University. That cultural mix, which includes more than 60 Japanese families, has, according to Davis, lessened the difficulty of the "cultural transition."

Another example of demystification occurred when 1,500 people -- most of whom were from the local community -- were invited to attend the SIA groundbreaking ceremony and luncheon. Much effort was made to ensure that the event contained both Japanese and American elements. So, after the extensive Shinto ceremony, attendees shared in an "All-American" lunch complete with barbeque, watermelon and entertainment by a bluegrass band

Both SIA and Lafayette area officials have been deliberate in developing business relationships and opening lines of communication with each other. Following the announcement that SIA would locate in Lafayette, city, county, state, business, chamber of commerce and SIA officials quickly formed a coordination group. Meeting regularly, the group reviews the undertaking's progress and needs, concentrating primarily on infrastructure. SIA itself initiated weekly meetings to disseminate information and avoid rumors. As goodwill gestures, the company gave Purdue University $100,000 for its engineering scholarship fund and donated four automobiles to charitable organizations in the local community. Also, SIA staffers are active in various local professional organizations, and they plan to take a lead role in a Japanese-American Society which is being formed in Indiana.

Cultural adjustment

Cultural adjustment on the SIA project also involves new American employees who undergo training at the "parent" companies in Japan. The 15 skilled maintenance team leaders already have completed several months of their training at Fuji and Isuzu. A training coordinator, assigned to SIA by the state, helped prepare the group before it went to Japan. The preparation included an intensive, 12-week Japanese language program. There was also a two-day cultural orientation program for the maintenance team leaders and their spouses to give them a chance to talk about what to expect and the adjustments they would have to make when leaving and returning to the U.S.

SIA's commitment to the trainees was displayed by company President Yamamoto who has had several lunches with them. While the trainees are in Japan, American SIA staff members travel to Japan regularly to check on their progress. In case of emergencies,

instant communication is possible through a trans-continental "beeper" that one staff member carries at all times.

While preparations occurred in Indiana, the two "parent" plants in Japan were being readied for the American trainees. English signs were posted, and women's restrooms were built in the factories. The companies constructed training centers and arranged suitable housing for the trainees. To improve communication, technical trainers were taught to speak English.

SIA demonstrated a sensitivity for the trainees' families who remain in Indiana by arranging meetings for the spouses and taking them on a tour of the plant site. Another personal touch is the exchanging of videotapes of the trainees in Japan and the spouse group back in Indiana. SIA staff make individual telephone calls weekly to each of the spouses to update them and to see how they are doing. As a result of this involvement, the families have developed their own support network.

Project going well

As hiring and training of SIA employees continues, those involved feel the project is going well overall and will continue to proceed smoothly. Obviously, a great deal of work lies ahead before actual production of vehicles can begin in late 1989. While those close to the venture are optimistic, the SIA undertaking has raised its share of criticisms, as would be expected. The merits of offering incentives to foreign companies and the potential harmful effects on the U.S. of foreign investment have been questioned. Those major policy questions probably will be debated for many years to come. In the meantime, the SIA project has unarguably had numerous positive spinoffs to the community, to the individuals who have been hired and to the entire state.

Indiana has been presented with a unique challenge to adapt to the particular needs of Subaru-Isuzu Automotive Inc. Because the SIA project is unprecedented in many ways, all involved parties have had to be creative and open-minded in approaching their roles. The project has been and will continue to be successful because of the cultivation of strong partnerships. Individuals and groups who have never worked together are overcoming their different backgrounds and perspectives to ensure that SIA thrives in its new home in Indiana. In a sense, all of the "players" -- the company, the state, local employment and training staff, Lafayette-area officials and the community -- are "breaking new ground" as they work together to make Subaru-Isuzu Automotive Inc. a prosperous reality.

The Border Industrialization Program: Mexico's maquiladora initiative

by John Stine

Trade has become a cornerstone of the American free enterprise system. It is a major reason most U.S. citizens enjoy an enviable standard of living -- the highest the world ever has known. Product availability seems limited only by the distribution systems of trading partners, the amount of goods available from friendly countries and their trade customs and policies.

As a result of American's trade practices, today's consumer can choose from a cornucopia of goods. Variety appears unlimited. Quality goods are relatively inexpensive. Price is within the reach of nearly everyone.

America's trade posture today largely is due to the nature of the free enterprise system -- entrepreneurs, large and small, "wheeling and dealing" to fill a marketplace need, they hope at a profit. But some of it is due to changes affecting the nation's industrial structure and the people who work in it. This came about shortly after the Second World War when it became apparent that all of the highly industrialized nations would have increasing difficulties holding down production costs, particularly the cost of labor. During the 1960s this led to a wave of investment by U.S. firms in "offshore" production facilities in Puerto Rico, Korea, Taiwan, the Philippines and Singapore. The purpose was to ensure continuing low costs. The free enterprise objective, as always, is maximum profits.

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Cheap overseas labor, many people now feel, is the primary cause of America's growing trade imbalance. So is the "oriental mind," they say -- social conditioning which virtually ensures that workers in the Far East will be loyal and subservient. This, in turn, behavioralists explain allows management to demand unlimited attention to detail from workers, a dramatic broadbrush approach to output that assures quality, reliability and a strong competitive advantage. An enviable work ethic is the result.

Nearer at hand competitive development of another nature has been taking place of which most Americans are unaware. In the rush to capitalize on ideas supporting the oriental work ethic (with its attendant "production miracle") the results of an ambitious trade initiative have been largely overlooked. So has the realization that the nation's trade imbalance is not exclusively an "oriental" problem -- not by a long shot. Along the nation's southern border can be found numerous factories employing thousands of foreign workers producing goods for US import that are competitive in every respect with goods coming from the Far East. Some of these goods are actually being produced at less cost than typical "overseas" products, particularly when lower shipping costs are considered.

Known as the maquiladora program in the U.S.-Mexico border area, it is praised by some, despised by others. The choice seems easy to make but hard to defend. Jobs are the big issue -- lots of them. And while few people would deny that the jobs are not needed, more than a few oppose the methods used to create them. Employment Security professionals ought to be aware of the nuances.

Texas border maquiladora impact

Both American and foreign countries lately have shown more and more interest in locating their companies and product assembly plants on the U.S.-Mexico border. Popular feeling is that if a business actually does decide to move there, both the U.S. and Mexico will benefit economically. For the U.S. as a nation that may be an illusion.

Yet, for many U.S. firms, the border industry known as maquiladora appears to be a bonanza. Chamber of Commerce and industrial development board members in major American border towns and cities claim that's the case. They have been virtually working overtime to convince firms, both foreign and domestic, to join the maquiladora industry program. A 1965 trade agreement with Mexico allows product components manufactured in the United States to be shipped across the border duty free (Comercio 1978, 202.10). There, often in large industrial parks built specifically for maquiladora operations, the components are assembled and shipped back across the border for distribution. A duty fee is levied only on the "value added" to the product in the assembly process.

Mexican officials named the assembly concept after the Spanish word maquila (meaning a portion of grain the miller is paid for milling a crop.) The word seems to accurately describe an industry that adds the finishing touches to a product.

Although maquiladora operations are variously called in-bond assembly, runaway plants, the Border Industrialization Program (BIP), off-shore assembly or twin plants (Holden 1984, 1), border people simply call it maquila. Since the major employment is on the Mexico side of the border, the Spanish term seems most appropriate. Usually only administration and distribution centers (warehouses) are located on the U.S. side. The parts used in assembly are most often shipped to the border from plants in the U.S. interior.

By most accounts the maquiladora industry is booming. Business is brisk. Jobs abound.

The lure of the maquilas is simple. Because of Mexico's continuing economic dilemma and a seemingly ongoing devaluation of the peso, wages paid Mexican workers have dropped by 35 percent since 1982. That makes their wages among the lowest in the world, considerably less even than in such places as Taiwan and Singapore (George and Tolen 1984, 2-10).

For openers, Brownsville, TX, on the extreme eastern end of the 2,000 mile U.S.-Mexico Border, is a prime example. In 1986 U.S. companies opened ten new plants in the Brownsville-Metamoros, Mexico area. That generated about 71 new jobs in Brownsville and approximately 610 in Matamoros, according to Elizabeth Maldonado of the Texas Employment Commission, supervisor of a 12-employee placement department in Brownsville's local Job Service office.

Maldonado, a Brownsville native, has experienced the economic ebb and flow of that border community through good times and bad. To her mind the peso devaluation of 1982 was devastating. She said it virtually stopped all border trade.

Equally damaging, Maldonado said, were the subfreezing temperatures of 1983 that all but wiped out the Rio Grande valley's citrus crop, and with it, the income that valley grove owners depend on for survival. A double whammy, hard times followed.

Have maquilas helped?

Have the maquilas really helped? Yes, Maldonado said enthusiastically. "I am convinced," she said, "that hires on the Texas side of the border by the maquilas have helped bring down our unemployment rate, from 18.9 percent in 1986 to 15.5 in June of 1987." Maldonado added, "We hope the trend continues."

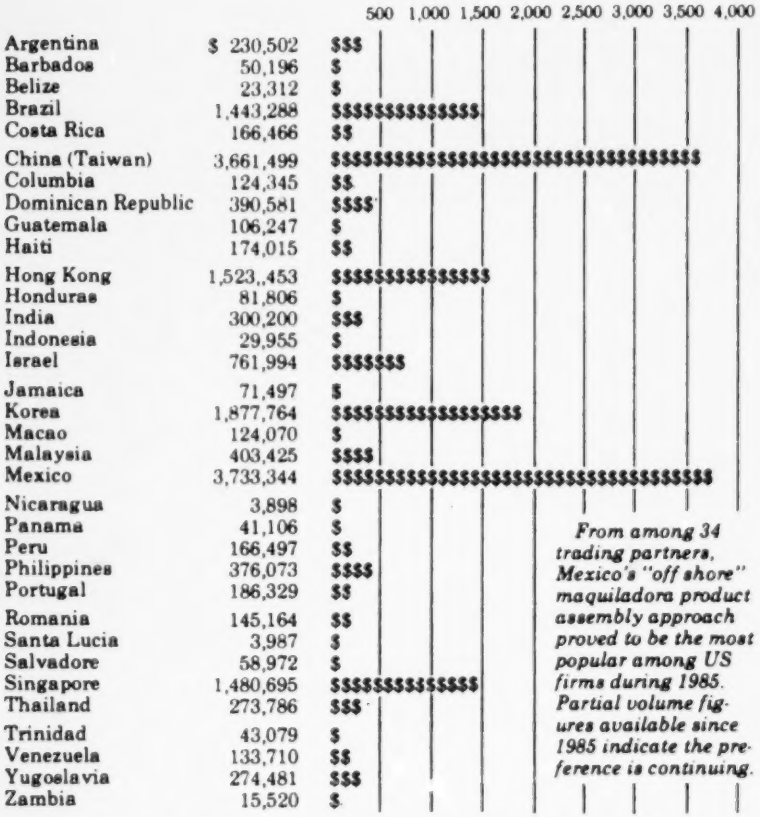
Maquiladora plants in the lower Rio Grande valley are turning out products representative of maquila assembly operations everywhere. Included are zinc anodes, car locks, cosmetic brushes, brassieres and high-fashion clothing, electronic components, communication equipment, knit baby garments, and windshield wipers, to name but a few of a long list of diversified products. Maldonado said Matamoros also remains strong in food processing, accounting for nearly half of all border maquila output.

Just a few miles up the Rio Grande river from Brownsville, speaking on the campus of Pan American University in Edinburg, TX in early 1988, Texas State Comptroller Bob Bullock said at a Valley Economic Seminar that, while the rest of the state lost 77,000 jobs in

1987, "the border area gained 5,000 jobs, primarily in the area of manufacturing." The PAU-sponsored program was planned to help valley business leaders make better economic decisions, said Edinburg's local Job Service office manager Anna Fike. An active booster of valley interests, Fike was in attendance at that meeting. She reports Bullock said the border could gain as many as 140 new "twin plants" in 1988, after a 1987 increase of 30 percent.

Duty Value of Products Assembled for US Firms during 1985

(in $ Thousands)



From among 34 trading partners, Mexico's "off shore" maquiladora product assembly approach proved to be the most popular among US firms during 1985. Partial volume figures available since 1985 indicate the preference is continuing.

Source: *Journal of the Flagstaff Institute*, Volume X, Number 2, July 1986; Jon D. Ozmun, Editor; "Appendix A: Summary by Country," page 130.

Bullock also predicted, Fike said, that there would be a four percent job increase along the Texas border in 1988, and that the lower valley would see the largest employment gain. Fike said she essentially agreed with Bullock's projections, and that an increase of that sort would be most welcome helping a great deal to lower the 20.2 percent unemployment rate of February 1988, figure.

El Paso, TX and its Mexican counterpart neighbor, Ciudad Juarez, look for continuing maquila activity, but with a welcome twist. Hector Venegas, labor market analyst in El Paso's local Job Service office, reports he has learned that starting in 1988, with final completion scheduled for 1989, a Japanese automotive parts supplier named Yazaki is building a manufacturing plant in El Paso. Yazaki will employ 100 workers by summer, Venegas learned, and about 200 by 1989. While six Japanese firms have opened or announced plants in Ciudad Juarez, Venegas said, "this will be the first to manufacture in El Paso."

Venegas said the new El Paso Yasaki plant will mold plastic components for wire harnesses to be assembled in Mexico. The company's U.S. subsidiary, American Yasaki, already has 1,500 workers employed in two Ciudad Juarez plants making the harnesses --bundles of wires to carry power and electrical signals in automobiles.

Spin-offs create jobs

Maquila "spin-offs," or support jobs, also are expected to create still more employment for Mexican workers, Venegas said. Yazaki previously had expanded its operations into the interior of Mexico. In the state of Chihuahua, for example, extending more than 100 miles south of Ciudad Juarez, Venegas said he had been told that Yazaki already has plants staffed with 1,800 employees. Expansion to 6,000 workers, he said, is planned by 1990. Also, Yazaki even now is expanding its factories in Ciudad Juarez and La Ascension, building more new factories in Neuvos Casa Grandes and Buenaventura, and looking for other factory sites.

Industrial developer Charles Page III was quoted by reporter Neal Templin of **The El Paso Times** as saying he expects to see even more manufacturing operations like the Yazaki plant opening in El Paso to support the Ciudad Juarez maquiladora force of "over 95,000 workers." Page, executive director of the Industrial Development Corporation of El Paso, called the El Paso Yazaki plant part of an "industrial rotation" toward better jobs for El Paso's citizens - such as plastic injection molding machine operators. Such jobs will require more training, Page told Templin, and the pay should be a lot better.

Templin said he's learned that American Yazaki manufacturing jobs will have a starting wage of about $900 a month -- almost $5 an hour. Their annual payroll, he said, will be more than $1 million to start and will double when the work force reaches next year's level of an estimated 200 employees.

Conjecture is, Templin said, when Yazaki staffs its new El Paso plant they will only bring in about 10 Japanese supervisors -- mainly

engineers to run the plant. The rest of the jobs will be filled by El Paso workers.

Quoting Art Roberts, executive director of the El Paso Chamber of Commerce, Templin wrote that, "El Paso is beginning to turn the corner" in attracting more manufacturing jobs from the maquiladora operations instead of just getting warehousing and transportation jobs. "It obviously doesn't take that many people to receive or ship something," Roberts said. "It takes a lot more to make something."

The rising value of the yen, Templin said, is making manufacturing in Japan more expensive. But because a firm like Yazaki has a tremendous 65 percent of the Japanese market, he said, it can afford to make the components it needs for its wire harnesses in El Paso using American labor and paying American wages.

Templin said Yazaki officials had told him they hope to recover some of its higher labor costs through lower shipping charges. It also expects "great manufacturing efficiency," he said, because its component supply plant will be much closer to its assembly plants in Mexico.

From El Paso's perspective,there's also another economic spin off from maquila involvement. Each time the community gets another 100 manufacturing jobs, that adds an estimated 60 jobs in other areas - retailing, services, entertainment and recreation, to name a few. Stating the obvious, labor analyst Venegas said that El Paso, with a February, 1988, jobless rate of 12.4 percent, needs those jobs.

Surveying the other half of Mexico's border initiative

Leaving the 1,200 mile Texas border behind, New Mexico's border area, almost desolate by comparison, is not without its maquiladora activity - at least that is the impression of El Paso's Venegas, a native of the area. While very little has been done in the past by New Mexico to "promote" the maquiladora approach to product assembly work, he said, "today, dust rising west of here tells me something's going on."

Triggered by a recently authorized tax on inventory imposed by a financially strapped Texas legislature (frustrated by a narrow tax base heavily dependent on oil and gas production now being undercut by foreign oil imports), Venegas said the talk he hears is about a new Port of Entry over one or more new bridges into Mexico -- a way to duck the new Texas tax. Santa Teressa, NM, south of Las Cruces, has been named as one possible site, he said. So has Antelope Wells and Columbus. Venegas said it wouldn't surprise him to see two border crossings built or enlarged -- new bridges to even lower manufacturing costs for maquila firms.

Meanwhile, a little further west is Aqua Prieta in the Mexican state of Sonora across the border from Arizona. Supported by U.S. twin plants in Douglas, Naco and Bisbee, dozens of maquilas between Aqua Prieta and Nogales on the Mexican side add to the numbers of jobs available to Mexican workers (Ladman and Poulsen 1972, 68). For many things couldn't be better. Viva la maquilas!

At the opposite end of the U.S.-Mexico border, San Diego Job Service labor market analyst Jack Nowell of California's Employment

Development Department, says maquila activity also is increasing there, "a dramatic jump in just the past two or three years." He also said that although not openly discussed or readily admitted, the low Mexican wages seem to be the real reason for maquila popularity -- wages lower today than in 1970. To illustrate, Mexico's daily minimum wage was $3.01 as an average (Seligson and Williams 1981; Pinkerton 1988).

Half of the maquiladora plants in the San Diego area are represented by a 70-company trade group known as the Western Maquiladora Trade Association. Robert Reneau is its president. He believes the trend for U.S. companies to relocate to the border will continue, particularly as long as labor continues to be abundant and wages remain low (Pinkerton 1987).

To illustrate the growth potential for both Mexico and the U.S. through the maquiladora approach, Reneau describes how Clayton Industries of El Monte, CA, opened a maquila plant in Tijuana in late 1984. Considered the gateway to Baja California on Mexico's western coast, Reneau said that Tijuana's unemployment rate was 70 percent at the time. Wages were about $3.45 (American) a day. By September, 1987, he said, "they had doubled the size of the plant." Clayton Industries manufactures boiler tubes.

Mary Gerard, marketing manager for Clayton, admitted they moved into the maquila venture because of the favorable wage rates. She said they simply took the part of the business that was labor intensive and moved it to Tijuana. One of the things we were proudest of, Gerard said, was that Clayton "was able to (make the move) without laying off any American workers." She also said the move made their product more competitive and that has helped them overall. Clayton also operates plants in Los Angeles, Belgium and Mexico City.

It is claimed that Baja California has the lion's share of maquila activity. According to **The Bridge: Baja California Regional Industrial Development Guide**, a 152-page 11-chapter 1988 maquila "how-to" publication distributed by the San Diego Association of Governments, with approximately 170 maquilas, Mexico's Baja California has roughly one-third of all U.S.-owned assembly plants. Moreover, the Mexican counterparts of the U.S.-owned twin plants located in or near San Diego employ more than 20,000 workers. Major corporations are locating significant facilities there. Accelerated growth is anticipated.

Aside from the owners of the assembly plants, Job Service's Nowell said he felt it is the American border towns that profit most from the maquiladora arrangement. The Chamber of Commerce in Calexico, CA, for example, across from Mexico's famed Mexicali, estimates that fully 85 percent of its trade comes from Mexicali, and most of that from the maquiladora workers. An experiment conducted by the maquilas themselves -- marking pesos paid to employees -- showed that 65 percent of the wages paid were spent in the U.S. within 24 hours (Miller 1981, 206).

The changing nature of the maquiladora concept

An economic analysis by the U.S. Embassy in Mexico City showed that the number of maquiladora plants increased more than 25 percent during 1986 to a total of 987, providing jobs for some 268,000 workers (Pinkerton 1987). This impressive performance "gains more luster," the report noted, when compared with a 4 percent decline suffered by the Mexican economy as a whole. That seems to indicate rather decisively that Mexico is benefiting from its maquila initiative despite low wages or where they are spent.

But maybe things are changing. That same report revealed that while 90 percent of the maquiladora industry is located on the U.S.-Mexico border, with 40 percent of the maquila work force in the Mexican state of Chihuahua alone, nearly 50 maquiladora plants are also operating today in Mexico's interior. That is because the Mexican government is encouraging a shift of the maquilas away from the border area to allow more job opportunities for its citizens elsewhere. In 1966 Mexico restricted the maquilas to within 20 kilometers of the border, extended the zone to 50 kms in 1977, and today is allowing the maquila plants to be established in principle anywhere in Mexico (Comercio 1987, 409). The cities of Guadalajara, Monterrey and the Yuccatan state capital of Merida have benefited the most from Mexico's industrial expansion.

In Merida, maquilas produce high-volume, low-weight products that can be easily transported by air. Plants located in Guardalajara and Monterrey are primarily engaged in computer assembly work (Templin 1988).

Even late comers to the maquiladora experience, such as the Texas border city of Laredo and its Mexican sister city, Neuvo Laredo, in the state of Tamaulipas, are seeing an influx of maquiladora activity. Nine Maquilas were started in the Laredo-Neuvo Laredo area in 1985, nine were added in 1986, eight settled there during the first six months of 1987, Chamber of Commerce figures indicate, and at least three more had plans to start up in late 1987 or early 1988 (Pinkerton 1987). In just three years, the area has attracted nearly 30 industrial plants and the assembly jobs that go with them.

Doubtless, maquiladora activity has created wealth in the border area. Outside workers moving into border towns to fill the new jobs created by the maquilas mean more money in circulation. The additional payrolls, no matter how meager, make greater spending possible. That creates still other jobs in spin-off activities, services working people are willing to support with their maquila incomes. And the potential for even greater growth is astounding.

Yet, not a few of America's economic observers now sense danger. Some are beginning to seriously question the political cost of Mexico's maquila initiative and its demonstrated ability to create wealth. Others question America's willingness to protect its own work force from "job robbers," substandard wages and the rest. The questions center primarily on original intent -- providing jobs for idle male heads of households -- and doing that equally for workers of both the U.S. and Mexico.

The Texas governor's maquiladora stance

Declaring that promoting maquiladora operations "will be the foundation stone of my administration for the next three 1/2 years," Texas Gov. Bill Clements stated his political position in late 1987 during a press conference in Mexico, called after a tour of a maquiladora assembly plant in Ciudad Juarez.

No stranger to border politics, Clements entertained each of the four governors of the Mexican states that border Texas during his first term. His stated purpose was to "promote closer cultural ties with Mexico." Astute political observers said a more likely purpose was an attempt to stabilize flagging border relations, reduce the flow of illegal aliens and help Rio Grande valley constituents trim the valley's high unemployment rate by encouraging greater border economic activity.

Four years later the Texas governor was again busily courting Mexican border cooperation, his maquiladora plant visit another apparent gesture of good will from one neighbor to another, but more importantly, an admission that the maquila approach had a great deal of economic merit. Using the theme of "active, heads-up competition" with Japan as an example of accommodation, he nonetheless told the press that he was "concerned" about what he termed the unfair Japanese attempt "to fly under the cloak of the twin-plant operation," as he preferred to call the maquiladora program. What Gov. Clements didn't say was that investors from other countries -- Germany, France, Saudi Arabia, Great Britain and Korea, to name a few -- also recently have spent time and money seeking out profitable Mexican ventures (Kay 1987).

Reading from a prepared statement at the Ciudad Juarez maquiladora plant site, Clements said that "for every 100 jobs created in Mexico, 20 new jobs were created in Texas as a result of maquiladora operations." In El Paso alone, he said, the industry has created "one out of every five new jobs since 1977."

Looking to the future, Clements told the press that by the year 2000 the border plants would employ 502,000 persons. Already, he said, "Mexican twin-plant workers spend $150 million annually in Texas." Maquiladoras are clearly a part of our economic lifeblood, the governor stated, adding that Mexican twin plants generated $1.5 billion in 1986 in foreign exchange, making the maquiladora industry "Mexico's second largest source of foreign income." Tourism is the largest.

Politically, the Texas governor is not alone in his praise of maquila ventures. American business also is being encouraged by enterprising Chambers of Commerce up and down the U.S.-Mexico border to increase economic activity. Officials of Mexico also are beating the drums. They see its growth as a stimulus for jobs - work badly needed by a destitute people, Mexican citizens willing to work long and hard. And not a few American entrepreneurs find the rhetoric appealing. They are looking longingly toward the border at the prospect for cheap labor and other profit opportunities made

possible by relaxed labor regulations and nonexistent environmental restrictions.

Still, all is not rosy. While Gov. Bill Clements stumps the Texas border for continuation of the maquiladora promise, U.S. Sen. Lloyd Bentsen of Texas (a resident of Edinburg in the mid-valley) charges that foreign nations have taken unfair advantage of twin-plant industries, using them to circumvent import restrictions and quotas.

Other legislators also oppose the maquila initiative. Working conditions are inhumane, some charge. Others say the pay is too low. Safety is often suspect. Few of the jobs go to "breadwinners," the original intent -- most workers, numerous studies have found, are women, young and single. And while the set-up may be good for Texas, most say, it does little good for any of the other states (Garcia 1987b).

Maybe most apparent, however, is the broken promise of the original "twin-plant" concept. As Job Service analyst Hector Venegas of El Paso put it when interviewed about economic conditions in twin-plant areas, "Oh, we all call them maquiladoras anymore, not twin plants, because...twin plant infers a half and half relationship, an equal thing, and it hasn't turned out that way at all." Sometimes, he said, I feel like as much as 90 percent of the new jobs end up in Mexico, and "we end up with only a few support (warehousing and clerical) jobs." So today, he said, we just say maquila because "it's mostly for the benefit of Mexico anyway."

Fraternal relationships in the maquiladora initiative

American labor unions are bitterly opposed to the twin plant concept. They fought it in the beginning. They continue to fight it today. Calling it maquiladora does not blunt their criticism -- rhetoric that dramatizes modern day labor inequities, particularly in the labor intensive sweat shops along Mexico's border.

Low pay is one of the union's major gripes. They claim the labor cost advantage of Mexico remains the single most important attraction of the maquiladora program, so much so that U.S. plants along the border often end up producing goods for American export to third-party countries -- for example, television tuners sold to Japan, color TV's to Venezuela, and chainsaws to Europe, all from U.S. components assembled in Mexico (House 1982, 224).

The border's second advantage, the unions claim, is transfer costs, particularly for U.S. firms. This is not only a matter of lower transportation charges and quicker movement (truck and rail vs. a lengthy boat trip), but also the ease of communication between supplier (the U.S.) and the assembler (Mexico).

In any event no matter how good all this looks to investors and other profiteers, the labor unions believe it's a "sell-out." And they're not bashful about saying so. From a fraternal point of view, as voiced by the AFL-CIO director for Arizona, this surprising state of affairs "is the old story of North American capitalists exploiting foreign workers by starvation wages."

Another major union objection centers on "runaway plants," the term used to describe U.S. firms relocating in search of cheaper and unorganized labor. Complained an AFL-CIO economist, "Once you get General Motors, General Electric and RCA thriving in the border area because they can't afford to pay American wages, you have a whole new grip (sic) of political pressures. It's an ugly situation (Miller 1981, 207)."

In practice, however, the Mexican government will not accept U.S. firms intending to close down all home-based production, the true "runaway" plants (House 1982, 225). Further, author House writes, "...the garment trades, for example, set up new plants in the southern states rather than add further jobs in greater New York."

An additional ingredient in the maquiladora initiative is the artificial benefit created by the U.S. Tariff Code provisions, items 806.30 and 807.00 (Little 1964, 217). The artificial benefit is low import fees. Most legislators seem unconcerned. Only a few have been told of any dangers such as that charged in testimony before a House Subcommittee on Trade of the U.S. Congress in Washington, DC, in 1976.

> "A growing number of firms that has (sic) used 807.00 to establish assembly plants abroad and thus avoid high U.S. labor costs. . .which results in unemployment here and the possibility that other industries will follow suit to compete with the same margin of profit. This is particularly true in Mexico where a policy of trade development has been accepted as an extension of the Good Neighbor Policy."

Since few outside the labor movement seem willing to support the runaway-plant argument, U.S. unions have been saying lately that the thousands of jobs created in Mexico by the maquiladora industries represent jobs lost to American workers. U.S. firms, on the other hand, say those jobs would have been lost to American workers in any event -- competition would have long ago forced those firms out of business. The degree of truth in either argument is hard to establish.

Meanwhile, the effects of items 806.30 and 807.00 on the U.S. economy have been under constant review by the government, and every year there are always a few bills brought before Congress seeking modification or outright elimination of the two articles. Official reports (U.S. Tariff Commission 1979; U.S. Congress, House 1976; U.S. International Trade Commission 1979) tend to discount "exaggerated fears of domestic job loss," and indeed, find the "offshore" operations supportive of significant U.S. employment. Repeal, most reports conclude, would:

- endanger thousands of U.S. jobs now supplying components for assembly a and processing abroad;
- threaten trade with less-developed countries, and;
- damage the interests of U.S. consumers who have benefited from the cheaper re-imported durables that "offshore" plants make possible (House 1982, 225; Bolin 1986, 6).

Obviously, the fears of the labor unions are not ones shared by others. Indeed, the whole notion of fraternal linkages may have shifted out of favor with the advent of the electronic age. Computers and their industrial counterparts, the robots, may have made labor-intensive work a thing of the past in U.S. industry. That is not because such work is dirty or demeaning (although it often is), but because it can be done cheaper by machines, or by workers willing to work hard elsewhere for low wages. The maquila approach amply fulfills that objective. And it apparently works very well.

What isn't working, however, is the safe handling of industrial wastes and voluntary compliance with ecological regulations. U.S. firms have been accused of poisoning Mexico's air, soil and water. Pollution is common.

Even one dirty bird can foul everyone's nest

Environmentalists have become alarmed lately by ecological mismanagement among the border's maquiladoras. While there are laws on the books to prevent pollution, there are no funds to uphold enforcement. Mexico has too few inspectors to stop violators. Voluntary compliance is a joke.

While even one environmental polluter would be too many, when the condition is multiplied by hundreds the situation becomes grim. A tragic example can be found in the use and misuse of otherwise quite ordinary 55-gallon steel drums. As recently as March, 1988, reported **Austin American-Statesman** newspaper reporter James Pinkerton from Ciudad Juarez, "Maria Luisa Carrizales (of Juarez) was using a green 55-gallon chemical drum to store water" she and her family used for drinking.

"We know it will hurt us to drink from the drum, but we don't have anywhere else to store water," the housewife told Pinkerton in Colonia Anapira, a dusty neighborhood across the river from El Paso. "I've been living here for two and a half years, and they say the water will arrive here soon, but so far it hasn't reached us," Carrizales said of the municipal water line.

So, like thousands of her neighbors, Pinkerton reports, Carrizales buys water from large trucks that rumble through the dusty streets. The trucks run the water into whatever containers are at hand, and in Ciudad Juarez, the storage containers of choice are the potentially deadly 55-gallon steel drums.

For the most part the drums previously held chemicals - most toxic, some lethal, including copper cyanide and cancer-causing chromates. The drums come from maquiladora factories where their original contents were used in assembly processing operations.

Under a treaty signed by presidents Miquel de la Madrid and Ronald Reagan in 1983, hazardous wastes generated by U.S. companies must be returned to the United States for proper disposal. But the agreement is being ignored. U.S. firms are leaving their wastes in Mexico.

Company officials state their directions have been clear, the chemical drums they use are not to be sold or given away. Once empty

they are to be sent to a drum reconditioning plant or to a hazardous waste dump site.

What really happens, though, observers told Pinkerton, is that "the guy in charge of the warehouse has some drums to get rid of. He'll call another guy who has a pickup and they'll make a deal for the drums. Neither of them know how much they're hurting their people."

Shortly the drums appear in the marketplace. Most still have warning labels. Pinkerton said he saw a bright blue one labeled "Zinc Chromate-Epoxy," a carcinogen. It was for sale for 10,000 pesos, about $4.34 in American money. He said the one used by the Carrizales family was marked "Isopropyl Alcohol, Anhydrous 99.7%." They paid about $3 dollars for it. Driving through town, up to five drums can be spotted in front of modest homes. Often used for waste cans, one man proudly said he got his at a bargain price from a friend who worked in a maquiladora plant -- they cost 1,700 pesos each.

Steel 55-gallon drums represent the visible violations. Hidden are the waste chemicals dumped in illegal landfills, roadside ditches, open fields and the somewhat less-than-pristine waters of the once mighty Rio Grande.

Air pollution is another problem. When the wind is right, clouds of hydroflouric acid drift through Brownsville. It stings the eyes. People cough. While few seem overly alarmed, they may be in danger. Pollution damage at other times also is occurring. It shows. Green, growing things turn brown. Growth stops. What's harming the vegetation is seldom known. But nobody's looking for causes either. That means nothing is being done to stop the killing.

The Texas Water Commission monitors wastes shipped into Texas. IESCO, a hazardous waste management company, has clients in Ciudad Juarez. Both TWC and IESCO indicate agreements are being violated.

Pinkerton said he checked the TWC records. They show that 23 shipments of industrial waste entered Texas in 1986 from 10 maquiladora plants bordering Texas. At the time there were more than 400 such plants along the border with nearly 200 in Ciudad Juarez alone. In 1987, Pinkerton found, waste from just 11 plants was shipped.

Greatest dumping threat

The greatest threat from illegal dumping, say members of the Border Waste Management Society in El Paso, a group of environmentalists; government officials from both sides of the border, and chemical industry officials, is that extremely toxic chemicals will find their way into the Hueco Balson aquifer, the source of drinking water for both El Paso and Ciudad Juarez.

"A lot of these maquiladoras, not the big ones, the small ones, they sell their drums to the guy who shows up and offers a little money," a member of the BWMS told Pinkerton. "Where is he going to get rid of the waste? In the open desert or in the middle of the night in

someone's back yard." Continuing the practice, the BWMS spokesman said, could poison the population.

As for other wastes, most BWMS members agreed the plants are just flushing time down the drain. Since Ciudad Juarez doesn't have a waste water treatment plant, they said, that waste just goes into a canal used for irrigating crops. They're not supposed to use that water for vegetables, but since they grow alfalfa for cattle feed, "it gets into the food chain pretty fast."

West of Ciudad Jaurez, in the town of Aqua Prieta, Sonora, Mexico, one maquiladora plant manager expressed anger at the other plants across from Arizona. "There doesn't exist any plan here to protect the ecology," he said. "We are fooling the whole world." He said the handling of hazardous wastes had been discussed at meetings of plant managers, but nothing had been done (Ladman and Poulsen 1972, 24).

Dick Kamp, director of the Border Ecology Project in Naco, AZ, said he plans to contact 26 maquilas in Agua Prieta to prepare an inventory of the chemicals they use. Kamp said he contacted EPA officials in San Francisco to see whether any had asked permission to ship their hazardous wastes back to the U.S. Federal law requires written notice to the EPA of that intention. Kamp said to date no requests had been received (Pinkerton 1988).

Although the maquiladora industry now is growing at about 30 percent a year, and the inventory of chemicals those plants are using is expanding (Hayes 1987), testing for contaminates in the Rio Grande is almost nonexistent. That is another function of the Texas Water Commission. But the samples TWC takes and the analysis they do, reporter Pinkerton was told, "are not oriented toward industrial contamination." They're testing for human wastes and acid content chlorides, sulfates and dissolved solids. But resources are limited and industrial samples are typically the most costly. So, they don't do it, Pinkerton was told, because "no one has complained" about industrial contamination in the Rio Grande.

In California it's a different story. Art Swajain, executive director of the California Regional Water Quality Control Board, told Pinkerton that testing of the New River where it enters California has turned up "more than 100 industrial chemicals along with bacteria from raw sewage." Trouble is, said Swajain, "we don't know who the violators are because the U.S. Department of Commerce won't identify the American owners of the 100-plus maquiladora plants in Mexicali for us."

Pinkerton also learned that the U.S. government and Mexico have agreed to spend $1.2 million dollars to build a new sewage treatment plant, but Swajain notes, "that won't take care of the industrial waste."

But perhaps stronger laws will. On March 1, 1988, the "General Law on Ecological Balance and the Protection of the Environment" took effect in Mexico. Experts who have reviewed it, Pinkerton reports, say it has harsher penalties than similar U.S. statutes. Enforcement of the new law will be shared by federal, state and local government.

Pinkerton said the feeling runs deep that local enforcement will be stronger, quicker, a lot more effective -- just two inspectors were hired to enforce a previous weaker federal law in the Ciudad Juarez area where there were more than 300 maquilas of all types. The main concern of the new law, he said, will be hazardous waste in drums. The new law talks about 20,000 times the daily minimum wage and six years in jail for violations, "and gringos are not excepted."

Enforcement, most observers believe, is what makes good environmental citizens -- whether Mexican or American. They feel Mexico's new pollution law will bring about a positive change in the maquiladora industry. Few deny the change is needed. Fewer still oppose the new law's remedies.

Meeting border employment and training needs

Meeting needs is the Employment Security professional's accepted role. It has become an expected function, a mandate from society to help the unemployed -- the idle and the unskilled. Often that is a challenge.

On balance, there is no doubt the border's maquiladora industry creates jobs, albeit low-paying, labor-intensive work -- more suitable "to women and young girls, seventeen and twenty-three years old for the most part (House 1982, 229)," and with 85 percent unmarried. That doesn't help breadwinners, of course, and most of the jobs are in Mexico, paying Mexico's prevailing minimum wage.

Few would deny that the maquilas need trained workers -- injection molders in El Paso, warehouse workers in Brownsville, electrical and chemical engineers to run plants along the 2,000 mile U.S.-Mexico border. Yet most will be college-trained from the states, and those who do need to learn specific work skills will find the job training they need readily available all along the border. Already vocational schools like Brownsville's Texas Southmost College, Harlington's Texas State Technical Institute, El Paso's Community College in the upper valley with Project '90 coordinator Stanley Wright shaping the vocational curriculum, the Flagstaff Institute and its associated schools in Arizona (Bolin 1986, 5), and similar schools in California, are teaching adults the necessary job skills. Most will tailor-make the training to satisfy the needs of a specific employer. Some even use machines "borrowed" from the employer to assure that skills taught apply to the machines in use.

Economically, maquila activity seems to favor Mexico. Perhaps it was planned that way. It does give its citizens a chance to work. It also encourages construction - industrial parks and assembly plants are being built at a record clip. And Mexico certainly benefits from the higher standard of living its workers enjoy made possible by the jobs created. Yet it is equally apparent U.S. firms benefit enormously from cheap labor, reduced transportation costs, relaxed health and safety regulations, and suspended import fees.

Politically, the maquila concept seems to make a lot of sense. Politicians can point to a great deal of industrial activity, a lot of visible growth in the border towns, an apparent willingness to help

their constituents through job creation, and demonstrated cooperation between two friendly but very dissimilar neighbors. Yet some office holders dislike the "untidiness" of the whole affair. Many feel that sort of thing is fine in far away Taiwan or Singapore -- out of sight, out of mind - but quite another thing when it squats defiantly on one's doorstep.

Fraternally, American labor unions dislike of the maquila arrangement is intense. Most union leaders want it outlawed. They claim it robs U.S. workers of jobs, pays only sweat-shop wages, and consistently ignores health risks and safety standards. Their remedy is simple. Make it illegal. Shut the plants down. Yet most outside observers claim the union's real objections are based on the worker's reluctance to organize, to join a union, to pay union dues and to go out on strike when told to do so. Workers resist union overtures partly because there is high labor turnover and no real tradition of "union shops" in any of the U.S. border states, and partly because of a more tolerant attitude of those working in the border plants. To illustrate:

> "Over 75 percent of the maquiladora workers in Mexico are women. Plant operators say they prefer female employees because they have better manual dexterity for intricate assembly. The main reason, however, can be found in a 1971 primer for businesses setting up maquilas, The Border Industrial Program: From earliest conditioning, (women) show respect and obedience to persons in authority, especially men. The women follow orders willingly, accept change and adjustments easily, and are considered less demanding"...(Miller 1081, 206).

Besides , most maquila workers feel it is the chicanos (Americans of Spanish ancestry and surnames, little educated, and lacking good job skills) living on the border who are the real sufferers. That is because they must compete with Mexicans living cheaply at home, "and who have accepted working conditions below those of American standards (House 1982, 226)." Nonetheless, it is doubtful that the U.S. unions will change their opinion of the maquila labor situation anytime soon.

Ecologically, the maquilas seem to have created a mess, a situation many consider a condition of dangerous proportions. Unwittingly, they may have poisoned their water as well. Some people blame that state of affairs on the owner's greed -- they're simply not using their profits to dispose of their trash as promised. Others fault "the locals," poor people who always seem to find a certain fascination in the garbage the rich throw away. And there's also the profits the poor can make by selling that stuff to one another in their daily struggle for survival. Yet, although far from being a pretty picture, effort seems to be moving forward lately for ecological improvement. A tough, new environment law is on the books. Enforcers are optimistic.

In retrospect, the maquiladora industry has been a survivor. It has existed not only for more than 20 years, but also steadily grows

larger. It has been, and continues to be, of benefit to both Mexico and the U.S., although not equally as originally intended. Still, it has generated import revenues for the two nations and personal incomes for its citizens, and the U.S. firms involved have profited from that.

At the national level most agree the economic impact of the maquiladora industry has been marginal. And so far maquilas have done little to change the widespread problems that poverty and social inequity have caused in Mexican society.

Still, Mexico's maquila approach to economic development has become a striking example of democratic purpose translated into practical terms. It has worked amazingly well. It also represents an honest attempt on the part of the Mexican government to become a responsible developing nation. Increasingly, U.S. political leaders and others have come to learn they can ill afford to frustrate the economic recovery efforts of the nation's third-largest trading partner. Mexico provides more than half the foreign-produced petroleum products bought by the United States. And U.S. companies sold more than $10 billion dollars worth of finished goods to Mexico in 1986 (Garcia 1987a).

Further, without justifying low wages, one needs to recognize there is a compelling reason for it. Almost all plants in Mexico pay the minimum wage because the government taxes earnings above that level at more than 5 percent. That means most workers would have even less money to spend if their wages were to be increased (Hayes 1987). If there is a fault in that reasoning, it's with the Mexican government, not with the firms paying the maquila work force.

Today the maquiladora industry appears to be a sleeping giant. It represents a minor investment focused at the international border. Tomorrow it could become a major industrial empire. As a foreign industry, certainly that investment would seem to be best protected by continuing America's relatively minor employment and training support. Future development potential would seem to justify it. So does the promise of improved social and economic well-being for both nations. The possibilities are exciting.

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Part II:
views and examples from around the world

The Uganda situation

by Sylvester Macuica Kabito

Background

The last census of 1980 put Uganda's population at 13 million. But since then a lot of things have happened that will have had a negative effect on the natural growth of the population. Its present position is therefore not known. In these circumstances no one is able to tell or guess the size of the country's labor force. While some years ago the Department of Statistics in the Ministry of Planning and Economic Development used to carry out annual enumerations of employees aimed at ascertaining the number of people who were actually in paid employment. This has not been done for quite a long time. So again, no one can say or hazard a guess as to how many people are in paid employment especially in the present situation when many of Uganda's industries are either silent or not operating at their full capacity.

Before independence, Uganda's labor force consisted of peasant farmers, people voluntarily unemployed or target workers,, school drop-outs at primary and secondary school levels, university gradu ates, and immigrants from the neighboring countries.

Those who were actually employed in industries, especially the unskilled, were predominantly the immigrants, who were always preferred by the then non-Ugandan employers to Ugandan labor. Because the former being foreigners, they were more pliable and readily accepted terms and conditions of employment that were not attractive enough to the natives, who had other means of livelihood derived from their family pieces of land where they grew minor cash

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crops and food. The managerial and skilled jobs were almost exclusively held by non-Ugandans, especially the Asians, who were, in the main, owners of the industries. A few Ugandans were employed in the semi-skilled jobs. In addition, the government of the day provided limited training for Ugandans at rural trade and technical schools aimed at gradual diminution of the imbalance. This scheme, however, produced a man fairly knowledgable theoretically but lacking "on-the-job practical experience," the acquisition of which depended very much on the will of the employer or immediate supervisor.

Such was the employment situation in the country. The supply of labor was, by and large, adequate, and where skilled manpower was lacking the required persons were brought in from abroad.

After the country became independent the policy on recruitment of immigrant labor changed and employment, particularly for the unskilled jobs, was restricted to Ugandans only, a decision that was to be regretted in the long run as the expected Ugandans did not come forward in sufficient numbers to take up unskilled jobs. The countries where the immigrants used to come from eventually improved their economies and managed to absorb what used to be their surplus labor. So even if Uganda wanted to resume utilization of that source of labor, it is no longer possible. The only solution would be to try and motivate our own local labor by offering attractive wages and other incentives.

Another noteworthy event in Uganda's employment history was the expulsion of all noncitizens from the country in 1972. The departure of these people resulted in complete disruption of industries and employment. The managers and other essential skilled personnel who, as has been mentioned earlier, were in the main nonUgandans, left the country leaving a gap. The Ugandan workers left behind did not have sufficient managerial and technical know-how to uphold the industries; and to add insult to injury, the industries were allocated to soldiers and friends whose interests lay not in keeping them going but in the immediate exploitation of the assets left behind by the departed owners. The overall consequence was a dilapidated economy and unemployment.

Since the departure of the noncitizen businessmen, strenuous efforts have been made and still are being made to rehabilitate the economy and bring it to at least the level where it was when the disruption took place. The question now is how do we accommodate the "employment and training needs of foreign industry" in our situation?

The policy of the present government on foreign investment in the field of industry is clearly stated in the government publication entitled, **Political Program Of NRM (Two Years Of Action)**.

New industries (mainly private sector)

Although the government's own program (Public Sector Investment Plan) gives priority to rehabilitation of existing assets rather than creation of new industries, the private sector is entirely

free to invest in new enterprises provided these investments are in line with Ministry of Industry guidelines.

Ugandans and foreign investors are encouraged to start viable industries. The prospective applicant is advised to visit the Industrial Licensing Unit, Ministry of Industry, to discuss preliminary ideas.

The industrial licensing board is liberal in giving licenses to serious applicants. The following simple steps and criteria is all that is needed to get an industrial license: (a) A feasibility study that shows that the project is commercially viable (i.e. that there is room for another project of its kind). (b) The proposed industry must use as much local materials and technical skills as possible. (c) The foreign exchange cost of producing one unit of the new product does not exceed the C & K Kampala cost of the finished product if directly imported from abroad. (d) The value added of the proposed manufacturing project is not below 30 percent. Thus, the way for foreign industrial investment has been cleared as in the foregoing policy statement.

Let us now look at the aspect of employment needs. The Ministry of Labor operates Employment Exchange Centers in every district, and any employer can get assistance in finding the type of worker of which he is in need. In the same way, an unemployed person in search of a job is assisted in finding the job.

So, through this free service, the employer in search of workers and a worker in search of a job, are brought in touch. In some areas it may not be necessary for an employer to have recourse to the employment exchange. He can fulfill his needs by direct recruitment as there is no obligation (statutory other otherwise) of having to recruit through the Employment Exchange.

Legislation

Employment conditions are regulated by collective agreements and the labor laws. These do not discriminate between local and foreign industry. The various pieces of legislation are:

1. **The Employment Act**: This lays down inter alia types of contracts of service that may be entered into; maximum hours of work and overtime; leave rates; and conditions under which women and children may be employed, etc.

2. **The Minimum Wages Advisory Boards and Wages Councils Act:** This provides for the appointment by the Minister of Labor of Minimum Wages Boards and Wages Councils. These bodies study and investigate the issues involved and then make recommendations for government consideration and adoption or otherwise. Generally, there are two ways in which wages are fixed: (a) by collective bargaining and, (b) by statutory machinery. Minimum Wage Boards and Wages Councils are tripartite, i.e., composed of government representatives, employers' representatives and workers' representatives.

3. **The Workmen's Compensation Act:** This provides for the payment of compensation in cash by the employer to his injured worker for injuries arising "out of and in the course" of employment. In the case where the injury results in death, the compensation is

payable to the deceased's dependents. Where there are no dependents, the employer has to pay only the burial expenses.

4. **The Trade Unions Act:** This act provides for the formation of trade unions; and an employer is under obligation to recognize a trade union if 50 or more of his employees are members of the union seeking recognition.

5. **The Trades Disputes (Arbitration and Settlement) Act:** This law lays down provisions for the settlement of disputes between employers and their employees. Before workers can resort to strike action, a dispute must be reported to the Minister of Labor who appoints a conciliator. When the parties fail to reach agreement at this stage, then the minister refers the dispute to the Industrial Court. The decision of the court is final and binding to both parties in the dispute. The president of the court is a person of the status of a high court judge.

6. **The Factories Act:** This act lays down provisions for the protection of workers in factories against risks, e.g. guarding of dangerous parts of machinery; provision of adequate ventilation; provision of protective clothing and washing facilities, etc.

7. **The Industrial Training Act:** This new provision for the establishment of a Directorate of Industrial Training is charged with the responsibility of organizing training programs for industrial workers; with the particular objective of increasing the number and uplifting the level of skill of industrial workers.

Training

The training of industrial workers is two-pronged. One is under the Directorate of Industrial Training through its Vocational Training Centres and Institutes and the other is run by the industries themselves as self-help schemes within their confines. The Directorate of Industrial Training arranges training courses for school leavers, and these may be of two-three years duration. Then there are short courses for workers sponsored by industries. These are usually skill-upgrading courses and sponsorship involving only the payment of a fee to meet food expenses. Lodging is free. The Directorate of Industrial Training also operates a Trade Testing Centre where the level of skill of individuals is tested and graded. A certificate indicating one's grade is issued accordingly. Wages paid to artisans and other skilled personnel usually are based on these grades.

Conclusion

Foreign investment is welcome in Uganda. The existing employment laws are not discriminatory between local and foreign industries. Government training facilities exist and will accommodate, without discrimination, anyone wishing to use them. Labor is abundant. With appropriate remuneration and incentives, any labor requirements can be satisfied.

NOTES

1. The voluntarily unemployed or target workers are those who only go to work for money in order to satisfy a specific need, and having done so they sit back in their homes until another need arises. The impelling needs vary from statutory taxes to marrying a wife.

Spain: assisting foreign investment

by Jose Antonia Somalo

As of Jan. 1, 1986, Spain became a member of the European Common Market. This new situation required that Spain follow the same guidelines regarding social, labor, employment and unemployment benefits as those used by the rest of the community. In general, the Spanish legislation on employment and dismissal protected the employee and favored employment for indefinite periods by restricting temporary employment and forcing employers to pay compensations in case of unjust dismissal, 45 days per year of service.

It is a common thought that a bigger flexibility in employment and a lower contribution to Social Security by companies would increase job opportunities, cutting down the high rate of unemployment in Spain. The Department of Labor makes its policy following the government guidelines. This policy also is made through an agreement process (pacts, interconfederation agreements, Economic and Social Agreement (AES), etc.) in which social agents (employers and employees) assume different commitments.

The main goals are based on these two laws: The Employment Basic Law (Ley Basica de Empleo) and the Labor Law (Estatuto de los Trabajadores). The National Institute of Employment (INEM) is the branch that carries out the employment policy. The country's administrations (local, autonomic and central) have created grants to establish new companies. There are different kinds of programs for the companies already established through agreements: job analysis,

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training promotion plans and courses for improvement at all levels, which have been a common rule in big and small companies. (In the case of big companies they normally use their own premises, and for small companies they are provided by the state).

The training and professional insertion programs also finance courses undertaken by companies when they meet a minimum standard of quantity and quality. The training job programs politically are considered as the major employment programs. In the last two years the employment programs, in collaboration, etc., have tried to direct their efforts towards wealth creating jobs rather than letting them be an entertainment for the labor force. The results are slow but full of hope.

Collaboration activities of INEM

The procedure is as follows:

1. A number of meetings takes place to study the employment and training needs as a result of the company's creation.
2. Both parties establish an agreement where the bases of collaboration are stated to obtain the training and employment objectives.
3. To carry out the agreement a previous plan of activities is made in order to cover the three major objectives: personnel selection, training and employment.
4. The follow-up committee meets periodically to establish the necessary addenda, enumerate contributions, organize, plan and program the activities, as well as to evaluate the results.

Agreement between NIE and GM

This agreement has been in effect since Jan. 15, 1981.

I. Object

The purpose of this agreement is that the National Institute for Employment can collaborate with any Spanish company established by GM Corporation (the "society") regarding the recruitment, selection and training of the workers in the society. The creation of the company, General Motors, Espana, S.A., in Zaragoza, implies the opening of a factory, which will hire 11,663 people. General Motors Espana, in collaboration with the National Institute for Employment, will provide to all applicants who have met the necessary requirements for the jobs offered by GM a selection/training process for employment.

GM collaborated by providing: car bodies, engines, transmissions, etc., needed for training, as well as the spare parts and technical assistance. The National Institute for Employment provided the experts to carry out the foreman's training programs. The monitors for the preemployment training center are GM employees, such as employment experts or staff supervisors, as well as National Institute for Employment monitors.

The National Institute for Employment provided German and English teachers for all GM employees. The German and English courses for GM employees started at the beginning of 1981 and continued until June, 1982. The National Institute for Employment provided the location for the Spanish language courses to be given to all GM employees and their families, as well as those mentioned before. It also provided an accident insurance policy to workers who had not yet been hired by GM during the training period mentioned in this agreement. GM provided an accident insurance policy to its employees and their families during the entire period.

II. Training and employment joint committee

The National Institute for Employment and the society established a training and employment committee as soon as possible after the society was established and this agreement was confirmed. The committee was formed by three members of each party, making a total of six. Each of the two parties of the committee had a head of the operation and two training and employment assistants. The committee responsible for recruitment and selection of candidates carries out the training program, reports and changes training programs, establishes objective criteria for selection, and assures job integration in the society after the training period is completed. The committee decisions were adopted by unanimity.

III. Recruitment and selection

The National Institute for Employment introduced candidates to the committee for its approval and employment with the society after training. The applicant will be chosen or rejected by the committee according to the society's needs of quantity, professional training, labor capacity and experience, and completion of training period. The society also can introduce candidates, whose access to training will not be unjustly denied. When a candidate admitted by the committee is unsuitable for the job in the society's opinion, he will not have access to training, but only when the society acts fairly. During the training period candidates will not be in any way considered the society's employee.

IV. Training Spanish employees

The society, in collaboration with the National Institute for Employment, will develop training programs for candidates on the premises of the National Institute for Employment. The courses will include complete training for apprentice, courses to improve techniques and work experience, adaptation courses, specific training and courses for applicants for supervisor and management jobs, courses for clerk and secretarial staff, and courses in English and German according to the job's needs. Two clearly different programs were established in order to carry out this professional training plan -- specific training for workers enrolled in assembly line jobs and specific training and courses for applicants for supervisor and qualified jobs.

After completion of the training courses the candidates had to pass a test. If the candidate did not pass the test he was rejected or offered

additional training, whatever the society decided. All the candidates who pass the final test were offered employment within the society according to the obtained training.

V. Training on the Premises

The society provided classrooms and other training facilities on its premises. The teacher's salary was paid by the National Institute for Employment. The Institute proposed to GM that some specific workers, after training in professional training centers, could undertake further on-the-job training.

VI. Economic Cost

The National Institute for Employment was responsible for all costs originated by recruitment, selection and training of candidates. It also was responsible for all training costs on the GM premises. If the society requested training for any of its employees, the National Institute for Employment collaborated in providing technical staff and educational material. The society assumed all other costs.

Agreement with Ford Co.

This collaboration agreement between the Spanish Department of Labor and Ford Co. was the first ever made with a big company, and it was done with the aim to provide professional training to workers employed by Ford in its factory in Valencia, 2,300 people. This agreement was to be in force in 1975, and it was extended to the professional training of 1,000. These trainees were the staff of Ford Espana Dealer's Service. The professional training for these workers was extended to:

1. Network of technical assistance (dealers) activities related to management and supervision, motor vehicle reception and repairs.
2. Network of sales (dealers) activities related to management and supervision, spare parts and accessory sales.

According to the agreement this professional training was carried out entirely by Ford-Espana, which would provide books, educational material, equipment and premises. The Department of Labor collaborated with specific subsidies. The training under this agreement was carried out in areas where the factory is located. In terms of employment, all workers with residence in Valencia were considered first.

Organization of professional training

According to Ford's annual needs, the company notified (INEM) of any changes before May 10, of each year in order to program training for the following year. The programming took place during the second semester of the current year and before Oct. 10, the programming for the following year. The programming stated professional training programs for each group, calendar for selection and training programs, projection of domestic migration and return of Spanish workers abroad and job operations, contributions of educational

material, teachers, doctors or teaching staff and any other circumstance related to the good functioning of training programs.

The organization of training programs were:

Own professional training programs: Under this title the training programs were the sole responsibility of the technical services of the Department of Labor performed outside Ford's factories through the workers' professional training program, technical universities or its collaboration centers.

Mixed professional training programs: Those carried out by Ford with contributions from the Department of Labor.

Ford professional training programs: The Department of Labor collaborated with economic aid only. This economic aid was determined by the Department of Labor.

Selection and guidance of trainees

Representatives from Ford and the Department of Labor carried out the selection process for training. The criteria for selection were social needs, physical condition, psychotechnical characteristics, educational background and any specifics related to the job and applicant.

Certificate of training

After the training period the trainees took a test that was evaluated by a board. This board was formed by representatives from Ford and the Department of Labor. After a satisfactory evaluation, all trainees received this certificate.

Collaboration budgets

The Department of Labor allocated a maximum amount of money to a minimum of trainees throughout five years. Also the Department of Labor collaborated with Ford's training programs, allocating a maximum amount of money for training of approximately 7,000 throughout five years.

Secure promotion and evaluation results

In addition to a satisfactory evaluation, the candidates must meet the conditions stated before. If this is the case, Ford commits itself to give employment to all candidates with satisfactory evaluation within one month of receiving the certificate of training.

Director of collaboration project FORD-PPO (vocational training)

The Department of Labor appointed a director for this project to coordinate, plan and carry out the program's activities under this agreement. Ford appointed its counterpart.

Commitment to the agreement and apply decisions

Ford and the Department of Labor assume the responsibility to execute the terms on this agreement. The agreements between General Motors Corp., Ford Co., and the government of Spain are presently in effect (in June, 1986) in regard to the creation of new jobs.

Labor supply and demand in Japan

by Shuichiro Oguara and Katsuki Ikeda

OGURA

The population of those aged 15 or above in Japan, which increased at an annual rate of 1.2 percent in 1975-84, is expected to register a slowdown in its growth to an annual rate of 1 percent in 1985-94 (0.8 percent in 1990-1994). The growth is projected to decelerate further to an annual rate of 0.4 percent in 1995-2000 with the population in the age bracket of 15-29 likely to swing into a negative growth.

An increase in the population of the advanced age people (those 55 years or older) is forecast to reach 8.49 million, accounting for the bulk of the estimated total population gain. In particular, the proportion of the population of those aged 65 or above is expected to rise from 13.1 percent in 1985 to 17.1 percent in 1995, resulting in further graying of society.

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The overall labor force participation rate is seen dropping slightly to 62.4 percent in 1995 from 63 percent in 1985.

The proportion of men in labor-force participation is likely to fall to 76 percent in 1995 from 78.1 percent in 1985 as those in the age bracket of 60 or above, which has a low labor-force participation rate, is expected to see a further decline in participation rate. Its ratio in the overall population will increase, more than offsetting a slight gain in the 20-24 age bracket.

The proportion of women in the labor force is projected to increase to 49.4 percent in 1995 from 48.7 percent in 1985. Though women's labor-force participation rates are likely to climb in every age bracket, the expected expansion in the ratio of women in the advanced age group, which tends to have a low participation rate, is seen holding down the growth in the overall participation rate.

The labor force is projected to increase from 59.63 million in 1985 to around 65.6 million in 1995, with large gains expected in the 15-29 age group (up 2.73 million) and in the age group of 55 or above (up 3.02 million). As labor-force growth is expected to be 0.4 percent in 1995-2004, there is the possibility of a supply shortage.

Trends and outlook of labor demand

The labor demand is estimated on the assumption that the Japanese economy will grow at an annual rate of nearly 4 percent with its structure shifting to one led by domestic demand.

The total number of employed workers is estimated to increase by 5.62 million from 58.07 million in 1985 to 63.69 million in 1995, showing an annual growth of 0.9 percent. The number of employed workers in the primary industry is projected to keep declining in keeping with an increase in the number of the aged people retiring, while the number of those in the secondary industry is forecast to show only a low growth as the secondary industry proceeds with its restructuring. The bulk of the gain will come from the tertiary industry, centering on the services sector. The proportion of the tertiary industry in terms of employed workers is likely to climb to 61.8 percent in 1995 from 56.9 percent in 1985.

The number of employed workers engaged in professions requiring specialized skills, administration and clerical work is expected to increase sharply against the background of technological innovation and the growing trend toward a services-oriented economy.

The number of employed workers in the agriculture, forestry and fisheries industries is expected to plunge, while the number of those engaged in skilled occupations, production-process controls and labor administration is likely to decrease slightly.

A labor supply-demand gap in 1995 is projected to widen slightly from the present level, and the unemployment rate may reach around 3 percent.

Even if the economy is managed appropriately to cope with such an expected supply-demand gap, there will persist unemployment owing to supply-demand imbalances among different age groups,

industries and occupations, and the mismatch of supply-demand that is indicated by regional disparities in the effective ratio of job offers to demand, etc.

The estimated figures reflect the present labor market conditions and employment policy. The effect of improvements of the labor-related legal system, etc., during the past few years on the labor market structure is not fully taken into account. Moreover, there is a need to take into consideration the effect of the tax and other relevant systems on the labor market and changes in the views on life and occupation. Therefore, there is the possibility of the unemployment rate rising to a higher-than-expected level, depending on changes of circumstances surrounding the labor market.

Though structurally depressed industries are expected to keep generating surplus manpower, the need for occupational change has increased. There is a growing scarcity of employment areas in which displaced workers can make full use of their previous occupational experience when faced with business conversion and the transfer of workers between different industries and enterprises. A delay in the improvement of labor conditions and workers' welfare is feared in the tertiary industry, which has a high proportion of medium- and small-sized enterprises.

An expected further progress in corporations' advance into foreign countries may have a certain impact on domestic production and employment, in particular in terms of employment at subcontracting firms and affiliate firms. Moreover, foreign countries' regulatory moves, the promotion of imports of manufactured goods, and the further improvement in foreign access to the Japanese markets against the background of trade friction, also are feared to have an effect on the employment situation.

While demand for employment in the Tokyo metropolitan area and other major urban centers is firm, there are many areas suffering from shortage of employment opportunities. The regional gap in employment opportunities may widen in the process of the conversion of industrial structures.

In keeping with progress in technological innovation, demand for engineers and skilled workers in the information-related areas is expected to increase. On the other hand, the need for occupational conversion is projected to increase in the production process and clerical work divisions, which will feel a growing impact of labor-saving efforts.

Changes and problems of labor supply

The importance of securing employment opportunities has increased in view of the severe employment picture for the aged people and an expected sharp increase in the labor force comprising those 60 years or older. In this connection, there is a need to give consideration to the effect of the present social security system, including public annuities, and to cope with the diversification of the aged peoples' employment needs.

In response to changes in the industrial and employment structures, occupational conversion needs to be carried out smoothly, and the scope of occupation needs to be expanded. The growing use of microelectronics equipment now is feared to make skills and experience accumulated over a long period useless. Moreover, younger workers are preferred in the areas with growing employment in the tertiary industry.

The problem of the aged people likely will become more complicated in step with changes in the industrial structure and regional employment supply-demand imbalance.

The weight of occupational life in a woman's life cycle has been growing. Women's advance into workplaces is expected to accelerate, with an increase in the length of their service and the expansion of areas in which they are employed. Further, part-time women workers will increase, and women likely will be employed in various forms, including being dispatched to other companies.

The young labor force is expected to increase gradually as children of post-war baby boomers are reaching the employment age while the ratio of students going on to college is leveling off. Amid changes in the views on occupation and values, employment needs are expected to become diversified and an increase in the number of those being separated from employment is feared to rise.

As the baby boomers reach their 40s, core groups of corporations' labor force will be occupied by middle- or advanced-age workers, affecting the seniority-based promotion system and causing a shortage in the number of management posts. In other words, personnel and labor administration problems will gain further importance.

Basic direction of employment policy

Amid the ongoing shift of economic structure to the one led by domestic demand and further progress in the graying of the population, the situation exists in which the labor supply-demand mismatch is easily possible. Unemployment tends to increase. On the other hand, the scope of choice of an ideal pattern of economic growth has become narrower under the mounting call for the simultaneous achievement of balance both at home and abroad. It has become difficult to rely solely on the effect of macroeconomic policies for the solution of employment problems. Moreover, many employment problems arise from various systematic factors. In these circumstances, structural policy tools are effective for the solution of employment problems and beneficial in terms of cost.

Therefore, a mixture of macroeconomic policies and various structural policies is needed. In particular, policy efforts are needed for the smooth implementation of a labor force shift between different industries and occupations, the reduction of regional employment opportunity imbalance, and the elimination of the labor force supply-demand mismatch between different age groups in keeping with the anticipated increase in the role that should be played by employment policy.

It is important to create a stable and efficient labor market and to develop it through the above-mentioned efforts to prevent the Japanese society from falling into the one with a high unemployment rate. Such efforts to stabilize and secure employment are expected to help revitalize the Japanese economy and society. An effectual distribution of economic resources through the correction of regional imbalance can be expected to help the realization of stable economic growth. It also is indispensable for stabilizing and securing employment.

There is a need to closely coordinate the employment policy with not only economic and industrial policies but also housing, education, social security, urban, medical and health and other various policies from a broad viewpoint. Efforts are needed to improve employment-related statistics and surveys, and to develop a comprehensive indicator with due consideration given to the qualitative aspect of the seriousness of unemployment.

Directions of specific policies

Future employment policies need to be actively implemented by attaching importance to the points mentioned below.

(1) Employment measures for smooth conversion of industrial and occupational structures -- The basic goal calls for the realization of an appropriate and stable economic growth through active economic management. This also is important for smoothly eliminating the labor supply-demand mismatch. As for employment measures, there is a need to try to secure employment positively by expanding new business divisions in keeping with business conversion, and to develop occupational capability for business conversion.

In order to ensure smooth transfer between corporations by avoiding unemployment as much as possible, it also is necessary to improve systems for employment exchange and occupational capability development, and to promote the supply of employment related information. In the tertiary industry, it is considered important to try to contribute to the fostering of domestic demand-type industries from the manpower supply aspect, while eliminating a manpower shortage by improving labor conditions and the workplace environment and enhancing the attractiveness of the job as an employment opportunity.

As for corporations' increased advance into foreign markets and the growing use of microelectronics equipment, each industry must try to form a consensus on how to cope with them and encourage individual enterprises to consider the need to stabilize employment by introducing prior consultations.

(2) Employment measures for smooth labor supply-demand adjustment -- To strengthen the functions of information on the labor market efforts are needed to actively use the national network of employment-related information, which is based on the overall employment information system, and try to further improve a setup for supplying employment-related information through the

development of effective subsystems. Moreover, there is a need to improve and supply a national network of information related to occupational capability development and employment management amelioration, and to strive to improve a system of consultations and assistance in order to promote vocational conversion and taking root in a new workplace.

Employment Security organizations must promote a comprehensive employment service effectively, centering on job exchange, while giving consideration to the coordination of views with private organizations.

Further, efforts are needed to help improved private job exchange projects and workers dispatch business, and to assist in the development of capabilities of workers and their welfare. Research and studies on the realities and problems involved in new labor force supply-demand systems, such as head hunting and outplacement, also are called for.

(3) Employment measures to cope with further progress in graying -- There is a need to strive to develop new employment opportunities for the aged through the redesigning of their jobs, the improvement of facilities and equipment, and the establishment of companies staffed by the aged. Efforts are called for to develop employment opportunities involving various employment forms, such as shortened working hours and working every other day. It also is necessary to try to secure employment opportunities after retirement at the mandatory age by fostering silver manpower centers and promoting assistance.

Moreover, the government will try to expand the scope of jobs for aged people and will help them develop capabilities for job conversion and self-enlightment efforts.

Research and studies will be carried out on the livelihood of the aged people from many angles; on the relationship between getting older and occupational capability, the relationship between income and occupational life and how to participate in social activities.

(4) Employment measures to cope with increased women workers -- In order to try to improve the employment management in line with the spirit of the Equal Opportunity Law, the government will conduct research and studies on how best to conduct employment management and step up consultations and assistance for improvements of specific points. In step with the diversification of employment needs, the government will strive to promote appropriate occupational guidance and capability development, will help propagate the childcare leave system and the women reemployment system, and will provide other assistance to women for their employment. It will try to create an environment that will facilitate women workers' undertaking of their jobs by giving consideration to their working hours and improving nursery schools.

For part-time workers, the government will try to establish employment measures from a comprehensive viewpoint by ameliorating their labor conditions and further improving the job exchange system.

(5) Comprehensive employment measures in step with regional realities -- Officials of local governments, and labor and management officials in the local community, will join forces to study the direction of development of employment opportunities in keeping with the revitalization of local industries. On the basis of the conditions of the local labor supply, the government will assist in the development of employment opportunities, will promote occupational capability development, and will supply various information, including employment management information, as well as consultations and help.

In the areas suffering from a severe employment situation, measures are needed to facilitate labor-force movements from a broader area viewpoint.

The government will strive to create a system that will enable the supply of well-thought-out comprehensive services by linking information supply and consultancy functions of public Employment Security offices and other relevant organizations and local governments.

IKEDA

What kind of assistance is provided to foreign-captial-affiliated companies in Japan in recruiting workers under Japan's Employment Security administration? First, I would like to explain the assistance extended by Employment Security administrative organizations free of charge, although foreign affiliated companies can place ads in newspapers and recruitment-information magazines by paying fees.

In Japan there are currently about 600 public Employment Security offices, and they are supervised by prefectural Employment Security divisions. When a foreign-affiliated company wants to recruit workers it first goes to a public Employment Security office, which covers the area where the company is located. The office would help the company determine hiring conditions by supplying various employment information and then accept a recruitment order to be placed by the company.

After that, the office would map out a job-opening filling program in keeping with the type and number of job openings and the employment situation in the region, and they introduce job seekers to the company, hold a meeting to screen candidates and a recruitment liaison session covering a wide area, and take other measures to fulfill the offered positions in line with the program.

Nationwide recruitment, equal service

We have formed a nationwide recruitment job seeking information network by introducing computers in public Employment Security offices across the country to make possible instantaneous inputting of recruitment job-seeking information, matching of recruitment needs to job demand on a massive scale and in a wide area, and supply of relevant information. I must add that if a person hired through this method is either handicapped or at an advanced age and fulfills certain conditions, a subsidy is given to the employer.

Moreover public Employment Security offices follow up the conditions of the employed and give him necessary guidance so that he will stay on the job. I would like to point out that the assistance provided to foreign-affiliated companies is the same as that given to Japanese companies. In other words, Japanese Employment Security administrative organizations are treating Japanese and foreign affiliated companies equally in providing recruitment help.

Republic of China's economic 'miracle' based on foreign trade, development

by Pei-chi Chang
and Andy Jo

The Republic of China in Taiwan has created a "miracle" through its rapid economic expansion, based largely on foreign trade and international development. The economy has been moving toward liberalization and internationalization for some time, with the government providing a wide range of incentives to encourage foreign investments.

Before going further into investment incentives, the importance of the nation's Employment Service, which provides placement, counseling, labor market information and employer services, should be noted. This is one of the most important supporting arms for the promoting of economic development.

This article is a combination of two presentations given at recent conventions of the International Association of Personnel in Employment Security.

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At the present time there are seven public Employment Service regional centers and 38 branch offices providing employment services. The Ministry of Interior is in charge of drafting, planning, coordinating and promoting Employment Service policy in general. The National Youth Commission renders services to youth who graduate from junior colleges and above. The Vocational Assistance Commission for Retired Servicemen offers services to retired military personnel.

During the period from 1981 to 1985, the average number of persons placed by the Employment Service was 116,367; the ratio of persons placed to applicants was 48.7 percent, and persons placed on job opening was 35.9 percent.

Getting more job opportunities

In order to get more job opportunities for the job seeker, the Employment Service provides various services for the employer, such as labor market information, screening services, and occupation psychological testing as mentioned before. Without these services, the economic development in Taiwan, an island with a shortage of natural resources and high population density, could not have been achieved.

For foreign firms, which in June, 1985, employed 262,297 workers (about 3.6 percent of Taiwan's total employment), the Employment Service agencies provide information concerning sites for new plants, information on the local labor market, recruit new workers, and provide screening services.

In general, foreign firms are satisfied with such services, but with the many changes in the labor market the Employment Service must speed worker job matching services and reduce labor turnover; develop a computer-aid career guidance and LMI system to help job seekers get and hold a suitable and satisfying job; provide specific services for dislocated workers; place more emphasis on disadvantaged groups such as older workers, women, youth and the handicapped; and improve the general quality of all services in order to attract more customers.

One of the big steps the Republic of China took to improve the investment climate was to set up a one-step service: the Overseas Chinese and Foreign Nationals Investment Commission. The commission handles all inward investments and technical cooperation agreements by overseas Chinese and foreign nationals, as well as outward investments by ROC nationals.

Statute for investment

The statute for investment by foreign nationals and overseas Chinese created the following favorable investment climate for foreign investors:

- Invested enterprises can be 100 percent owned by foreign investors.
- Capital, net profits and interest accrued from investment can be freely transferred abroad in full.

- Foreign-invested companies shall not be subject to requisition or expropriation as long as investors continue to hold 45 percent or more of the total capital for a period of 20 years after commencement of business.
- Stocks issued by firms that are at least 45 percent foreign invested do not have to be publicly listed. New shares of stocks do not have to be reserved for employees.
- A number of tax incentives have been introduced to encourage investments.
- The most important direct-tax incentive is the granting of either accelerated depreciation or a tax holiday of five years for new projects and four years for expansion projects.
- A capital intensive or technology intensive productive enterprise may defer the commencement date of the tax exemption period for one-four years.
- Industrial companies in certain categories may be exempted from payment of import duties on machinery and equipment: other kinds of firms are permitted to pay in installment.
- The tax on dividend income is 20 percent as compared to 35 percent for nonforeign invested enterprises.
- The profit-seeking enterprise income tax and surcharges payable by a productive enterprise shall not exceed 25 percent of its annual income.
- Five-20 percent of the amount invested in production equipments may be used as a tax credit against the profit seeking enterprise income tax payable for the current year of investment.
- If undistributed earning is used to add or renovate machinery, equipment and transportation facilities, stock holders receiving newly issued registered shares may defer payment of income tax on those shares until they are transferred due to sale, bestowal or distribution of estate.
- For a productive enterprise, the research development and experimental expenses defrayed for improving the productive technology or developing new products shall be deducted from the taxable income of the current year.

Favorable investment climate

The favorable investment climate in Taiwan has attracted many foreign investors. According to statistics there were 4,237 cases approved from abroad in 1987; 1,944 cases by overseas Chinese and 2,293 cases by foreign national investments accounting for $1.4 billion. In 1987, foreign national investments accounted for $1.4 billion. In 1987, approved investment rose 101.98 percent over 1985, approved investments rose 84.17 percent over 1986 to $1,418 million, setting a new record.

Hong Kong accounts for the largest share of overseas Chinese investments at 24.45 percent. Japan is second with 6.07 percent and

other areas account for 69.48 percent. The United States accounts for the largest percentage of foreign national investment with 38.36 percent. Japan is in second place with 30.15 percent, followed by Europe with 15.97 percent, and other areas with 15.52 percent.

The service industry receives the largest share of overseas Chinese investment, accounting for 24.82 percent. This is followed by nonmetallic minerals, banking and insurance, and construction, accounting for 20.15 percent, 6.97 percent and 6.59 percent respectively. The electronic and electric products sector is the favorite target of foreign investment, accounting for 35.19 percent followed by chemicals, machinery and instruments, and services, which account for 17.35 percent, 11.08 percent and 10.08 percent in that order.

During the same period, there were 2,722 technical cooperation agreements in the ROC. Agreements with Japanese firms form the majority with 1,733 cases, 63.67 percent of the total. The U.S. is second with 21.52 percent, Europe third with 12.42 percent and other areas account for 2.39 percent. Agreements are most frequently in the electronics and electric products industry, with 26.15 percent, followed by chemicals, machinery and instruments, and basic metal processing with 20.68 percent, 14.33 percent and 11.72 percent respectively.

Domestic firms also entered technical cooperation agreements abroad. From 1964 to 1987, there were 57 approved projects, most of them were with firms in Indonesia, Thailand, the Philippines and Singapore.

The fields of technical cooperation are mainly in the nonmetallic mineral products, such as food, beverage and textile industries.

Domestic investment stagnant

During the past few years, domestic investment has remained stagnant. However, foreign and overseas Chinese investment grew consistently due to the following factors:

- A favorable investment climate due to the stable political environment and significant economic strength.
- The government policy of liberalizing and internationalizing the economy has raised the international stature of the ROC.
- The governments liberal attitude toward investment legislation.
- The timely liberalization of domestic markets and the easing of restrictions on fields open to investment.
- The simplification of red tape for foreign and overseas Chinese investment application.
- The strengthened services of the Investment Commission, specifically aid given to investors.

During the past 30 years, foreign investment and technical cooperation have made a decisive contribution toward the economic development of the ROC. The foreign commitment has not only compensated for the shortage of domestic capital, but also through technical cooperation, provided industrial know how, scientific

management and marketing techniques that have greatly improved the industrial structure in the ROC.

According to a 1985 survey, the tangible assets of approved foreign-invested enterprises, including factory building and equipment, amount to $28.356 billion, equivalent to 10.8 percent of total domestic tangible assets. Foreign and overseas investment stimulates exports, increases remittances from abroad and aids the formation of domestic capital.

In 1985, 233,952 employees worked for foreign and overseas Chinese invested enterprises, accounting for 3.09 percent of total domestic employment. The production volume of foreign-invested firms accounted for 6 percent of total domestic production. Most of that was in chemical and electronics manufacturing industries.

Foreign invested firms also make a contribution when it comes to taxes. According to the same survey, tax from 837 local foreign invested firms accounted for 14.44 percent of profit-seeking enterprise income tax revenue. This provided the government with more capital to put into public investments and thereby promoted the quality of life in the ROC.

Investment stimulates infrastructure development

In addition to these contributions, it is apparent that foreign and overseas Chinese investment has stimulated the development of domestic infrastructure, provided initiatives for new branches of industry and strengthened international cooperation.

The net foreign exchange earned by foreign and overseas Chinese enterprises from exports, i.e., exports minus imported materials and intermediates (parts), was $2.192 billion in 1985.

Foreign and overseas Chinese enterprises produced a total of 141,319 billion NT dollars GNP in 1985 or 58.817 billion NT dollars GNP after taking into account the local ownership, of which both accounted for 6.0 percent and 2.5 percent of the country's total GNP respectively.

If limited to the manufacturing sector, foreign and overseas Chinese enterprises produced a total of 125.041 billion NT dollars GNP, or 52.442 billion NT dollars after being deflated by nonlocal ownership which attributed to 13.02 percent and 5.46 percent of GNP in the manufacturing sector.

Many world-famous corporations have operated in ROC for more than 10 years. General Instrument established its first plants in 1964 to produce silcon transistors. The company now has nine plants turning out a wide range of electronics. In 1963, Singer became the first foreign firm to produce sewing machines here. Due in part to its efforts to help upgrade the spare parts industry here, the ROC is now the largest sewing machine supplier in the world. Many of them have expanded or upgraded their local operations beyond simple assembly lines into the production of higher value-added products, and some have even moved part of their research and development to the ROC as well. Some are:

1. Hino Motor and Toyota from Japan: The main product of these two invested enterprises are heavy trucks and related parts and components. Toyota makes a model of its car and related parts product technology.

2. Proctor and Gamble from the United States: P&G has caused quite a controversy in the ROC. Because this is the largest single foreign direct investment the ROC, government has even allowed it in the consumer product industry.

3. Motorola International Development (MID) from the United States: Motorola Electronics Taiwan is a wholly owned subsidiary of MID. This investment represents a total funding requirement of more than $100 million. The estimated number of employees someday will reach 2,300. The scope of these new projects range from the manufacturing and processing of semiconductors, quartz crystals, oscillators, sensors and wireless communication sets, to software development consulting services and some trading functions.

4. AT&T from the United States: This project calls for a capital investment of $40 million in which AT&T will have a majority share of 70 percent in the production of the electronic digital switching system that was to start in 1986 with an annual target of 200,000 lines. The site of the joint-venture plant will be the Hsinchu Science-based industrial park.

Positive, cooperative attitude

Foreign and overseas Chinese investments not only have made a significant contribution to the economic and industrial development of the ROC, but they are an important force connecting overseas Chinese and their home country. Our government has a positive and cooperative attitude toward foreign investment and technical cooperation. With this in mind, the economic structure of the ROC will continue undergoing transition. So we must keep on working to improve our investment climate and legislation, thus bringing in high technologies to further the development of domestic industries. We hope to accelerate the upgrading of our industrial level with foreign investment and with the advanced technology, management skill and access to world markets that accompanies such technology.

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